Key issues in the European Council

State of play in June 2020

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Study

The role of the European Council is to 'provide the Union with the necessary impetus for its development' and to define its 'general political directions and priorities'. Since its creation in 1975, the European Council has exercised considerable influence over the development of the European Union, a process enhanced by its designation as a formal institution of the Union under the Lisbon Treaty in 2009.

The European Council Oversight Unit within the European Parliamentary Research Service (EPRS) monitors and analyses the activities, commitments and impact of the European Council, so as to maximise parliamentary understanding of the political dynamics of this important institution.

This EPRS publication, 'Key issues in the European Council', which is updated every quarter to coincide with European Council meetings, aims to provide an overview of the institution's activities on major EU issues. It analyses twelve broad policy areas, explaining the legal and political background, the main priorities and orientations defined by the European Council and the results of its involvement to date, as well as some of the future challenges in each policy field.

AUTHORS

Suzana Anghel, European Council Oversight Unit
Izabela Bacian, European Council Oversight Unit
Ralf Drachenberg, European Council Oversight Unit
Annastiina Papunen, European Council Oversight Unit

This study has been drawn up by the European Council Oversight Unit of the Directorate for Impact Assessment and European Added Value, within the Directorate-General for Parliamentary Research Services (EPRS) of the Secretariat of the European Parliament.

To contact the authors, please email: EPRS-EuropeanCouncilOversight@europarl.europa.eu.

Introduction

Established as an informal summit meeting in 1975, the European Council became a formal European Union institution, with a full-time President, in 2009, on the entry into force of the Treaty of Lisbon. It consists of the Heads of State or Government of the 27 EU Member States, the President of the European Council and the President of the European Commission (Article 15(2) of the Treaty on European Union (TEU)). The latter two individuals have no voting rights. Meetings of the European Council are normally also attended by the High Representative of the Union for Foreign Affairs and Security Policy. The President of the European Parliament is 'invited to speak' as the first item on the European Council's agenda, followed by an exchange of views (Article 235(2) of the Treaty on the Functioning of the EU (TFEU)). At its formal meetings, normally four per year, the European Council adopts 'conclusions' that are aimed at identifying policy priorities and action to be taken by the Union as a whole.

The European Council's role is to 'provide the Union with the necessary impetus for its development and define the general political directions and priorities' (Article 15(1) TEU). It cannot exercise legislative functions. At the beginning of the 2014-2019 and the 2019-2024 institutional cycles, the European Council also adopted an agenda of strategic priorities, designed to guide the work of the European Union over the five-year period.

With the EU only just coming out of a period of economic and financial crisis and unemployment still at a high level, the 2014-2019 strategic agenda made economic issues the top priority. Subsequently, unprecedented domestic and global challenges, and notably the prospect of the UK's withdrawal from the EU (combined with a rise of populism and anti-EU sentiment), have triggered a debate on the future of Europe. As a result, previous objectives have been somewhat re-shaped in order to respond more effectively to public expectations and concerns, as well as to bind the EU-27 closer together. EU leaders thus used the occasion of the 60th anniversary of the Rome Treaties in March 2017 to issue a finely-tuned set of policy orientations for the Union for the next 10 years. The Rome Agenda encompasses four broad chapters – a safe and secure Europe, a prosperous and sustainable Europe, a social Europe and a stronger Europe on the global scene – which should shape the action of the Union over a decade.

Reflecting the orientations set in the Rome Declaration, the new 2019-2024 strategic agenda, adopted by the Heads of State or Government at their meeting in June 2019, defines migration and the protection of citizens as the top priorities for action in the upcoming five years. Then, comes the development of a stronger economic base, including the fight against unemployment, followed by climate change and social issues. Finally, it looks to increase the EU's influence and defend its interest in the world. The four core priorities set out in the 2019-2024 strategic agenda broadly correspond to the concerns of EU citizens, as indicated by the most recent standard Eurobarometer.

The outbreak of the coronavirus pandemic in early 2020 and the prospect of a protracted economic recession of an unknown length and severity has, however, prompted EU Heads of State or Government to review the above priorities in order to provide for a coordinated approach and joint action to tackle the crisis. At their first video-conference dedicated to the management of the health crisis, on 10 March 2020, the 27 EU Heads of State or Government, alongside the Presidents of the European Commission and the European Central Bank and the High Representative of the Union for Foreign Affairs and Security Policy, agreed to work together along four main axes, with a view to: 1) limiting the spread of the virus; 2) providing medical equipment; 3) promoting research, for instance on development of a vaccine; and 4) tackling the socio-economic consequences of the crisis. The EU leaders underscored the need for a joint European approach and close coordination with the European Commission in combating the pandemic.

While the European Council endorsed the proposals made by the Commission to tackle the immediate social and economic consequences of the health crisis, at their meeting on 23 April 2020, EU leaders were not able to agree on a common vision for a recovery fund to address the long-term consequences of the crisis. The Commission was therefore tasked with preparing a revised Multiannual Financial Framework (MFF), to establish a link to the recovery fund. The European Council President, Charles Michel, underlined that EU leaders remained 'committed to giving the necessary impetus to work on the recovery fund as well as the MFF, so that a balanced agreement on both can be found as soon as possible'.

Given the serious human consequences of the health crisis, the lack of overall preparedness in combatting the epidemic across the EU and the lack of coordination among Member States at the start of the virus outbreak have been criticised. And indeed, EU leaders have acknowledged that the EU needed to become better at 'developing its executive capacity and at managing crises in a coordinated fashion'.

In addition to its horizontal priority-setting role, as defined in Article 15(1) TEU, the European Council is also tasked with identifying the Union's strategic interests, determining the objectives of, and defining general guidelines for common foreign and security policy (Article 26 TEU). Following a request by EU leaders, the then High Representative, Federica Mogherini, presented an EU global strategy, which the European Council welcomed in June 2016. The strategy sets five broad priorities for the EU external action in coming years: the security of the Union, state and societal resilience to the East and South, an integrated approach to conflict and crisis, cooperative regional orders, and global governance for the 21st century.

The European Council furthermore defines the strategic guidelines for legislative and operational planning in the area of freedom, security and justice (Article 68 TFEU). For the period until 2019, the priorities for the European Union in the area of freedom, security and justice, were to 'better manage migration in all aspects; prevent and combat crime and terrorism; [and] improve judicial cooperation among EU countries'. Following the outbreak of the migration crisis, and a series of terrorist attacks on European soil, key strategic documents, notably the European agenda on security and the European agenda on migration, were adopted in 2015, either at the request or with the endorsement of the European Council. A new set of 'strategic guidelines for legislative and operational planning' were expected to be adopted by the European Council at its meeting of 26-27 March 2020. Since the meeting had to be postponed following the coronavirus outbreak, the adoption of these guidelines will probably occur later in the course of the year.

The European Council has also to 'consider each year the employment situation in the Union and adopt conclusions thereon, on the basis of a joint annual report by the Council and the Commission' (Article 148 TFEU).

Its decisions are taken mainly by consensus, but in certain cases, the European Council can also decide by qualified majority. For example, the President of the European Council is elected by qualified majority vote for a once-renewable term of two and a half years. The President's role is 'to ensure the preparation and continuity of the work of the European Council in cooperation with the President of the Commission', chair its meetings, 'facilitate cohesion and consensus within the European Council', and to ensure 'the external representation of the Union on issues concerning its common foreign and security policy, without prejudice to the powers of the High Representative of the Union for Foreign Affairs and Security Policy' (Article 15(5) TEU). The first two full-time Presidents of the European Council, Herman Van Rompuy and Donald Tusk, served five years each between 2009 and 2019. The third permanent President of the European Council, Charles Michel, began his mandate at the beginning of December 2019.

While not directly accountable to the European Parliament, the President of the European Council presents a report to the Parliament after each meeting of the Heads of State or Government (Article 15(6)(d) TEU). Usually this takes the form of a declaration in person, followed by a plenary debate.

As a result of both the UK's decision to leave the Union and the Leaders' Agenda proposed by European Council President Donald Tusk in 2017, aimed at 'reinvigorating and enriching' the institution's work 'by engaging directly on politically sensitive issues', the working method and formations of the European Council have evolved substantially. In recent years members of the European Council have met in five different formats:

- the EU-27, previously EU-28, Heads of State or Government meet quarterly in the *regular European Council meetings*;
- from 2016 to 2019, the EU-27 (leaders of all the 28 EU Member States except the UK) met, first informally and then, from April 2017, in the *European Council (Article 50)* format, to discuss Brexit;
- the EU-27 or EU-28 have in recent years held *informal summits* at least twice a year;
- the EU-27 or EU-28 for two years from October 2017 participated in *Leaders' Meetings*;
- the EU-27 (leaders of all the 28 EU Member States except the UK) have met in several *inclusive* Euro Summits. Participation in Euro Summits is usually restricted to the leaders of euro-area countries, but the President of the Euro Summit (currently also President of the European Council) can invite other leaders as well.

'Leaders' meetings', which are designed to enable a leaders' discussion to take place on a specific topic, are a key feature of the 'Leaders' Agenda'. Unlike regular European Council meetings, such discussions are based, not on draft conclusions, but on short notes prepared by the President. The idea is to have an open, relatively unstructured debate on controversial but highly consequential issues, with a view to facilitating agreement at a follow-up European Council.

The 2019-2024 strategic agenda was prepared in very much the same way, by using the working method developed under the Leaders' Agenda. Just ahead of the 2019 European elections, the EU-27 met on 9 May 2019 in the Romanian city of Sibiu to assess the implementation of previous policy objectives and to reflect informally on future EU action over the coming five years. The EU leaders' discussion was informed by President Tusk's Leaders' Agenda note, 'Strategic agenda 2019-2024 – Outline', which provided a first overview of the topics for future action. The 2019-2024 strategic agenda was then adopted at the June 2019 formal European Council.

At the first European Council that he chaired in December 2019, Charles Michel explained how he envisaged the future work of the European Council would be carried out, and presented his colleagues with an 'indicative agenda' for its work over coming years. Moreover, in his remarks following the European Council meeting in December 2019, President Michel also stressed that a concerted agenda, coordinated between the institutions (Council, Commission, Parliament), would be a key element in advancing the European project.

The EU Heads of State or Government see the strategic agenda as 'the first step in a process that will be taken forward by the Institutions and the Member States'. The European Council announced that it 'will follow the implementation of these priorities closely and will define further general political directions and priorities as necessary'.

Following the outbreak of the coronavirus pandemic and its severe economic, as well as social, impact, the most pressing issue for Heads of State or Governments will be to achieve a 'political agreement' on a revised long-term budget for the 2021-2027 period able to provide the necessary support for the revival of the European economy. Given the failure of the special European Council

meeting of 20-21 February 2020 to reach such an agreement and in view of diverging views among Member States on the approach to funding through the Recovery Fund, finding consensus on the revised MFF could indeed prove challenging. When, and under what conditions, the European Council will reconvene to attempt to find an agreement has still to be decided.

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1. A comprehensive migration policy

A. Background

With the outbreak of the migration crisis in 2015, migration has been for some years the main policy area addressed by the European Council over the last years. It took the European Council a series of meetings to develop a comprehensive approach to migration policy, which 'combines more effective control of the EU's external borders, increased external action and the internal aspects'. Some of the most notable outcomes of this approach were the creation of the European Border and Coast Guard and the EU-Turkey statement.

Migration policy is one of the main policies in the wider area of justice and home affairs (JHA).[1] The European Council has an important strategic role in JHA, including on the issues of immigration, asylum, border protection, police and judicial cooperation, which are now discussed regularly at meetings of Heads of State or Government.

This was not always the case. Cooperation at EU level in the field of JHA, and migration in particular, was not originally envisaged in the Treaty of Rome; and this policy area was one of the last in which the EU received legislative competences. Justice and home affairs issues have only been discussed at EU level since the entry into force of the Maastricht Treaty in 1993, albeit in intergovernmental format. The Tampere European Council of 15-16 October 1999, devoted exclusively to JHA, was crucial for the development of this EU policy area, as the objective of creating an EU area of freedom, security and justice was then placed at the 'very top of the political agenda'. The European Council's role in reaching this objective was enshrined in the Lisbon Treaty, which also introduced the ordinary legislative procedure for all aspects of the JHA area.

Migration policy is the subject of increased attention at European Council meetings both because its role in this area has been strengthened in the treaties, and because many of the issues touch on core competences of the nation state (e.g. protecting external borders), meaning that Member States wish to deal with them at the highest level. Nevertheless, the prominence of migration policy is mostly crisis-related.

The activities of the European Council on the migration crisis has proceeded through different phases. Initially, the focus was clearly on 'saving lives' in the Mediterranean Sea. During this phase some of the more prominent commitments made by the European Council included increasing the financial resources for operations Triton and Poseidon; the objective to disrupt people-trafficking networks, to provide frontline Member States with additional resources; to create relocation and resettlement schemes and the establishment of 'hotspots'. Subsequently, the focus shifted to dealing with the unprecedented number of migrants arriving in Europe, in particular via the Western Balkans route. The main commitments of the European Council during this period were to reinforce dialogue and cooperation with countries of origin and transit, in particular Turkey, and organise a conference on the Western Balkans route. Afterwards, the focus shifted again to concentrate on protecting the EU's external borders. Consequently, the European Council's main decisions were to create an integrated border management system; strengthen Frontex's capacity through enhancing its mandate and the development of a European Border and Coast Guard. Following the closure of the Western Balkans route and the EU-Turkey statement, a 95 % reduction in detected illegal border crossings into the EU has been observed since October 2015.

While many initiatives have been successfully initiated or supported by the European Council (such as improved cooperation with third countries on migration), one area where little progress has been

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[1] The terms 'justice and home affairs' (JHA) and 'area of freedom, security and justice' will be used interchangeably.

noted to date is the reform of the Common European Asylum System (CEAS). While this issue could have been dealt with in the Council with the use of qualified majority voting, this legislative matter was declared a matter for the EU Heads of State or Government. However, until now, the European Council has failed to find unanimous agreement, due to very different views on what to do with refugees and asylum seekers once they arrive on EU territory, and the reform of the CEAS is still outstanding. An improved CEAS becomes even more relevant in light of the ongoing fighting in Syria and the arrival of a new wave of refugees in Europe via Turkey.

B. Legal basis for European Council action

While the European Council 'shall not exercise legislative functions' (Article 15(1) TEU), a special procedure can be found in Article 82(3) TFEU, Article 83 (3) TFEU and Article 87(3) TFEU, which provides the possibility for any Member State to request that a draft directive, in the area of criminal justice or police cooperation respectively, be referred to the European Council. In that case, the discussion in the European Council would need to lead to a consensus rather than qualified majority voting (QMV) in the Council.

Table 1 – Treaty articles on the role of the European Council in the area of freedom, security and justice

Treaty article	Topic	Action /role
68 TFEU	Area of freedom, security and justice	Define the strategic guidelines for legislative and operational planning.
82(3) TFEU	Judicial cooperation in criminal matters	Refer a draft directive to the European Council to be decided by consensus.
83(3) TFEU	the establishment of common rules for certain criminal offences	Refer a draft directive to the European Council to be decided by consensus.
86(1) TFEU	European Public Prosecutor's Office (EPPO)	Refer a draft directive for establishing the EPPO to the European Council to be decided by consensus.
86(4) TFEU	European Public Prosecutor's Office (EPPO)	Adopt a decision to extend the powers of the EPPO to include serious crime having a cross-border dimension.
87(3) TFEU	Police cooperation	Refer draft measures to the European Council to be decided by consensus.
222 TFEU	Solidarity clause if a Member State is the object of a terrorist attack or other disaster	The European Council shall regularly assess the threats facing the Union in order to enable the Union and its Member States to take effective action.

Source: EPRS.

Article 68 TFEU, in particular, gives the European Council an important role in the area of freedom, security and justice, mandating it to define the strategic guidelines for legislative and operational planning within this area. New 'strategic guidelines for legislative and operational planning' within the area of freedom, security and justice are expected to be adopted by the European Council at one of its meetings in spring 2020.

C. European Council focus on migration policy

Migration has been the subject of increased attention at European Council meetings, both because its role in this area has been strengthened in the treaties, and because many of the issues touch on

core competences of the nation state (e.g. providing security for citizens, protecting external borders), meaning that Member States wish to deal with them at the highest level.

Migration dominated the European Council agenda from the outbreak of the migration crisis in 2015 until late 2018. Between January 2015 and October 2018, EU-28 Heads of State or Government discussed migration at 21 of their 25 formal and informal meetings. Additionally, EU leaders discussed migration with leaders of third countries and strategic partners at the High-level Conference on the Eastern Mediterranean – Western Balkans Route on 8 October 2015, the Valletta Summit on 11-12 November 2015 and the EU-Turkey Summit on 29 November 2015.[2]

Figure 1: Focus on migration as part of the European Council conclusions
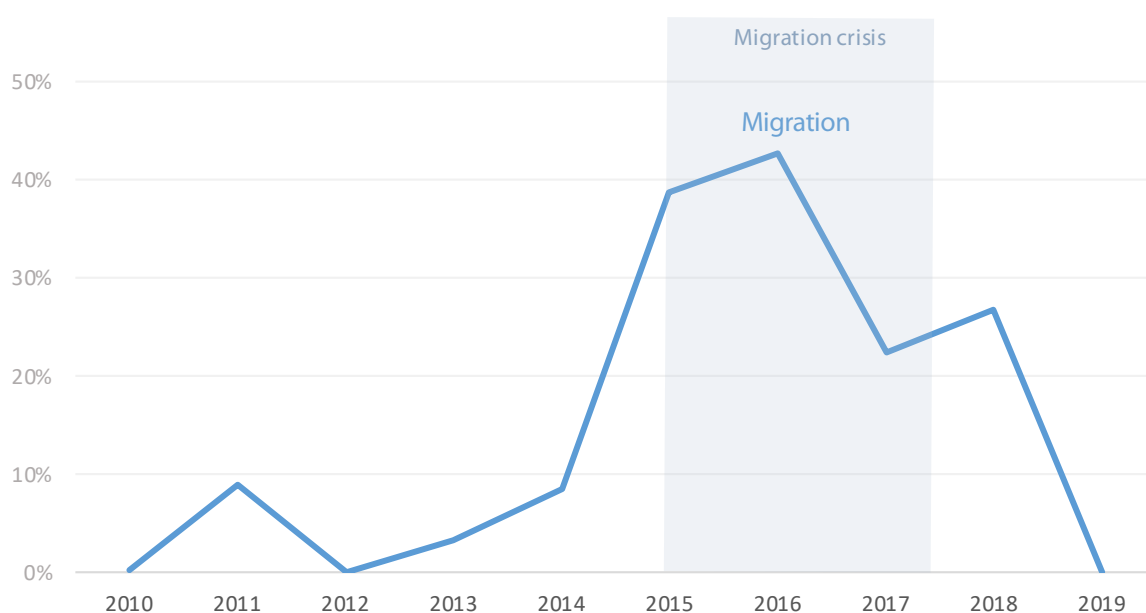
With the reduction of migrant arrivals and subsequent decrease in importance of migration on the EU agenda, the European Council has also reduced the attention it pays to migration, which for the first time since 2015 was not addressed at any European Council meeting in 2019.

D. Strategic orientations

The most recent standard Eurobarometer (from November 2019) indicates that migration remains the biggest concern for European citizens. Therefore, the pledge made by EU Leaders in the Sibiu Declaration that they would 'protect [their] citizens and keep them safe' was not surprising.

In pursuit of this strategic role, at its meeting of 20-21 June 2019, the European Council agreed on the strategic agenda of key priorities for the next five years. The European Council's strategic agenda 2019-2024 focuses on four priorities, one of which is *protecting citizens and freedoms,* which covers most issues in the area of JHA.

The main strategic orientations for the comprehensive migration policy are:

- Effective control of the external borders;
- Enhanced cooperation with countries of origin and transit; and

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[2] Various other meetings on migration, including either the European Council President and/or the European Commission President with a group of EU Heads of State or Government, also took place.

> ⮞ An effective asylum policy.

A clear shift of focus can be observed in the 2019-2024 strategic agenda compared to the 2014-2019 strategic agenda. Previously, migration was also associated with positive effects such as addressing skill shortages, but since the outbreak of the migration crisis, the issue of migration relates mainly to the management of migration flows and border control. The new policy issues, which have been added under migration in the new 2019-2024 strategic agenda, include the need to 'fight human trafficking', 'ensure effective returns', and to 'find consensus on the Dublin regulation' and to ensure 'the functioning of Schengen'. At the same time, the 'cooperation with third countries', 'fighting irregular/illegal migration', 'asylum policy' and 'border control' policy issues are being further pursued.

The upcoming new 'strategic guidelines for legislative and operational planning' within the area of freedom, security and justice will outline in more detail the main strategic goals in the field of migration policy for the coming years.

E. Noteworthy commitments: specific requests and follow-up

European border and coast guard

The European Border and Coast Guard (EBCG) is an example of how quickly an initiative can be adopted if it receives the backing of the EU Heads of State or Government. In June 2014, the European Council, in the context of the long-term development of Frontex, called for 'a study into the possibilities of a European border guard'. Progress accelerated in October 2015, when EU leaders referred to enhancing the mandate of Frontex and the development of an EBCG system. Following the publication of the Commission's proposal on 15 December 2015, and the European Council's call for 'swift adoption and implementation' at its meeting in June 2016, the European Parliament and the Council adopted the EBCG Regulation in a record time of just nine months. Following various requests by the European Council in 2017 to strengthen the EBCG, the Commission published its new proposal in September 2018, which EU Heads of State or Government discussed at the Informal European Council meeting of 20 September 2018. According to President Tusk, in Salzburg, EU leaders shared their determination 'to take forward the Commission's proposal as a priority'. According to President Tusk, Heads of State or Government agreed to prioritise the Commission's proposal for a strengthened European Border and Coast Guard, even though further discussions regarding issues of sovereignty and the size of Frontex are required. Consequently, at the October 2018 European Council, EU leaders invited co-legislators to examine the proposal swiftly. On 6 December 2018, Council reached a partial political agreement, strengthening the role of the EBCG in supporting Member States regarding the return of irregular migrants. However, the Council did not yet agree on the proposal of the Commission to increase the staff of the EBCG to 10 000. The European Parliament's Committee on Civil Liberties, Justice and Home Affairs adopted its report on 11 February 2019. On 1 April 2019, the Council confirmed the informal agreement reached between representatives of the European Parliament and the Romanian Presidency of the Council on a regulation on the European Border and Coast Guard, which is designed to increase the staff of the EBCG up to 10 000 by 2027. Parliament voted on 17 April 2019 and the Council adopted the text on 8 November 2019.

EU-Turkey cooperation on migration

Since the extraordinary European Council meeting of 23 April 2015, at the outset of the migration crisis, EU-Turkey cooperation on migration has been a permanent feature of EU Heads of State or Government discussions on migration. It was addressed in all but one of the following 16 European Council meetings on migration, which also produced written conclusions or statements. The first meetings on migration in 2015 called for increased cooperation with Turkey and reinforced dialogue with the country at all levels. Subsequently, the European Council of 15-16 October 2015 welcomed

the EU-Turkey joint action plan, which was activated at the EU-Turkey meeting on 29 November 2015 by EU Heads of State or Government and the Turkish Prime Minister at the time, Ahmet Davutoğlu. In return for the EU's strengthened support for refugees in Turkey, European Council President Donald Tusk expected to see 'an immediate and substantial reduction of irregular migrants' arriving in Europe. The EU notably committed to an initial €3 billion financial support package, intensifying the EU-Turkey bilateral relationship, and opening new chapters in the accession negotiations. Following another meeting on 7 March 2016, between EU and Turkish leaders, this cooperation was further deepened by the EU-Turkey statement of 15 March 2016, designed to 'end the irregular migration from Turkey to the EU'. As part of the EU-Turkey statement, Turkish and EU leaders agreed on the return of all new irregular migrants coming from Turkey to the EU, the resettlement of Syrians from Turkey to the EU, the acceleration of the visa liberalisation roadmap and an additional €3 billion for the Facility for Refugees in Turkey. Shortly afterwards, when assessing the implementation of the agreement, President Tusk observed, 'a sharp reduction of the illegal migration flows across the Aegean'. At subsequent European Council meetings, EU Heads of State or Government reiterated their commitment to the EU-Turkey Statement and called for its 'full and non-discriminatory implementation'. This was reiterated on 4 March 2020 by Charles Michel at his meeting with the President of Turkey, Recep Tayyip Erdoğan.

Reform of the Common European Asylum System

The reform of the Common European Asylum System (CEAS) has been an ongoing challenge, with the European Council attempting to bridge the gap between the different Member States' views, with some insisting on 'relocation', while others propose 'effective solidarity' (i.e. showing solidarity in ways other than taking refugees, for example by providing more financial support). Originally, the European Council tried to put pressure on Member States, by issuing deadlines by which Member States should agree on reform of the CEAS, such at its meeting of 15 December 2016 and the meeting of 9 March 2017. As this did not produce the desired result, the European Council now only asks the rotating Council Presidency, 'to continue working on this issue' and/or commit itself 'to return to the issue' at a later meeting. The European Council meeting of 19 October 2017 committed itself to 'return to this matter at its meeting in December, and will seek to reach a consensus during the first half of 2018'. Although EU Heads of State or Government did address the reform of the CEAS at their Leaders' meeting in December 2017, they have not been able to reach consensus so far. One year later, at its meeting of 13-14 December 2018, the European Council called 'for further efforts to conclude negotiations [...] on all parts of the Common European Asylum System'. This issue is expected to return to the agenda of the European Council in 2020.

F. Challenges ahead and outlook

Despite the progress made, notably with 'the number of detected illegal border crossings into the EU [...] brought down by 95 % from its peak in October 2015', and the political agreement found on many policy issues by the Heads of State or Government, discussions remain very sensitive. The European Commission's proposals to reform the Common European Asylum System of 4 May 2016, have been blocked ever since by Member States (first in the Council and later in the European Council). In its adjusted work programme for 2020, the European Commission announced that the submission of 'a New Pact on Migration and Asylum', including legal proposals, will now take place in the second quarter of 2020, meaning before the summer. In this context, the European Council will have to return to this issue, aiming at overcoming some of the fundamental disagreements between Member States regarding issues such as the relocation of asylum seekers.

Following the announcement by Turkey that they will no longer stop Syrian refugees at their borders, thousands of refugees have arrived at the Greek borders. Consequently, EU leaders can be expected to revisit this issue over the coming months. A first example of this was the joint visit to Greece by the President of the European Parliament, David Sassoli, the President of the European

Commission, Ursula von der Leyen, the President of the European Council, Charles Michel and the Prime Minister of Croatia and President-in-Office of the Council, Andrej Plenkovic. At his subsequent meeting with the President of Turkey, Recep Tayyip Erdoğan, Charles Michel reiterated that 'The EU-Turkey Statement remains the basis of our migration partnership. It was agreed in good faith and needs continued efforts from both sides'. This was followed up by a visit by President Erdoğan to Brussels, where he discussed the relationship between Turkey and the European Union with leaders of the EU institutions, notably the implementation of the deal between the European Union and Turkey on migration. Further meetings at different levels are planned for the next weeks.

At the subsequent meeting of the Justice and Home Affairs Council on 13 March 2020, ministers discussed the latest developments at the EU's external borders with Turkey and assessed whether the previously agreed measures had been implemented. They concluded that 'despite the increased pressure' since 28 February, the current situation remained 'stable on both the land and sea borders'. Subsequently, on 28 April, the Justice and Home Affairs Council concluded that migration issues were 'in the current situation less extensive but still present'. Current challenges due to the coronavirus crisis include, in particular, efficient migration management at EU level, the presence of the virus among migrants, delays in the resettlement of unaccompanied minors, and the manner in which Member States implement rules on asylum and return and restrict the fulfilment of resettlement pledges.

2. Protecting citizens

A. Background

The numerous terrorist attacks across Europe since 2015, together with the growing security concerns of EU citizens, placed protection of citizens high on the European Council agenda. The concept of protecting citizens by and large refers to internal security policy, which itself is part of the wider area of justice and home affairs (JHA).[3] As shown in the various Eurobarometer surveys, terrorism was the number two concern for European citizens between end of 2015 and end of 2018.

The European Council has an important strategic role to play in JHA, notably on the issues of immigration, asylum, border protection, police and judicial cooperation, which are now discussed regularly at meetings of Heads of State or Government.

This was not always the case. Cooperation at EU level in the field of JHA, and internal security in particular, was not originally envisaged in the Treaty of Rome; and this policy area was one of the last in which the EU received legislative competences. Only since the entry into force of the Maastricht Treaty in 1993 have JHA issues been discussed at EU level, albeit in intergovernmental format. The Tampere European Council of 15 to 16 October 1999, devoted exclusively to JHA, was crucial for the development of this EU policy area, as the objective of creating an EU area of freedom, security and justice was then placed at the 'very top of the political agenda'. The European Council's role in reaching this objective was enshrined in the Lisbon Treaty, which also introduced the ordinary legislative procedure for all aspects of the JHA area.

Internal security issues are the subject of increased attention at European Council meetings both because its role in this area has been strengthened in the treaties, and because many of the issues touch on core competences of the nation state (e.g. providing security for citizens, protecting external borders), meaning that Member States wish to deal with them at the highest level.

However, first and foremost the prominence of internal security is crisis-related. Following major terrorist attacks in Europe, the European Council often either held an extraordinary meeting on the topic or devoted significant time to the issue at a previously planned meeting. After the Charlie Hebdo attacks, for example, after which millions of people had expressed their solidarity with the victims (through the '*Je suis Charlie*' movement), an informal European Council meeting was held on 12 February 2015. The October 2015 European Council conclusions illustrate this, as they called for the EU to 'devise technical solutions to reinforce the control of the EU's external borders to meet both migration and security objectives, without hampering the fluidity of movement'. At that meeting, Heads of State or Government adopted a statement on anti-terrorism measures, vowing to take stronger measures against terrorist threats in the coming months. Subsequently, following the terrorist attacks in Paris on 13 November 2015, security, although previously not included in the agenda, became one of the main discussion points at the 17 and 18 December 2015 European Council meeting.

While the internal security and migration policy fields were usually clearly separated in European Council discussions, the two areas have over recent years been increasingly linked. The October 2015 European Council conclusions illustrate this, as they called for the EU to 'devise technical solutions to reinforce the control of the EU's external borders to meet both migration and security objectives, without hampering the fluidity of movement'. This can be explained by the fact that EU agencies (e.g. Frontex) active in the field of external EU border protection, as well as many technical instruments (e.g. Schengen information system) used for that purpose, contribute to both

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[3] The terms 'justice and home affairs' (JHA) and 'area of freedom, security and justice' will be used interchangeably.

fighting irregular migration and ensuring internal security. Most recently this intersection was observed at the informal European Council meeting of 20 September 2018.

In addition to the trends of recent years, the recent outbreak of the coronavirus pandemic has had an impact on a number of policy areas falling under the 'protecting citizens' priority. This is the case first and foremost of border management, with the Schengen system seriously challenged as a result of uncoordinated border closures. It is also the case for cybercrime and disinformation activities, however, a rise increase in which has been observed in connexion with wider use of digital tools during the lockdown.

B. Legal basis for European Council action

While the European Council 'shall not exercise legislative functions' (Article 15(1) TEU), a special procedure can be found in Article 82(3) TFEU, Article 83 (3) TFEU and Article 87(3) TFEU, which provides the possibility for any Member State to request that a draft directive, in the area of criminal justice or police cooperation respectively, be referred to the European Council. In that case, the discussion in the European Council would need to lead to a consensus rather than qualified majority voting (QMV) in the Council.

Table 2 – Treaty articles on the role of the European Council in the area of freedom, security and justice

Treaty article	Topic	Action /role
68 TFEU	Area of freedom, security and justice	Define the strategic guidelines for legislative and operational planning.
82(3) TFEU	Judicial cooperation in criminal matters	Refer a draft directive to the European Council to be decided by consensus.
83(3) TFEU	the establishment of common rules for certain criminal offences	Refer a draft directive to the European Council to be decided by consensus.
86(1) TFEU	European Public Prosecutor's Office (EPPO)	Refer a draft directive for establishing the EPPO to the European Council to be decided by consensus.
86(4) TFEU	European Public Prosecutor's Office (EPPO)	Adopt a decision to extend the powers of the EPPO to include serious crime having a cross-border dimension.
87(3) TFEU	Police cooperation	Refer draft measures to the European Council to be decided by consensus.
222 TFEU	Solidarity clause if a Member State is the object of a terrorist attack or other disaster	The European Council shall regularly assess the threats facing the Union in order to enable the Union and its Member States to take effective action.

Source: EPRS.

Article 68 TFEU gives the European Council an important role in the area of freedom, security and justice, mandating it to define the strategic guidelines for legislative and operational planning within this area. New 'strategic guidelines for legislative and operational planning' within the area of freedom, security and justice are expected to be adopted by the European Council at one of its meetings in spring 2020.

C. European Council focus on internal security

Between June 2014 and October 2018, internal security and/or terrorism were discussed at 13 out of the 29 meetings of the European Council and the topic mentioned in the conclusions and/or in statements thereafter. At eight of these meetings, internal security and/or terrorism featured prominently in the discussions, leading to a spike in attention paid to the issues in the European Council conclusions (see Figure 2).

Figure 2 – Attention paid to Protecting citizens as part of the European Council conclusions 2014-2019
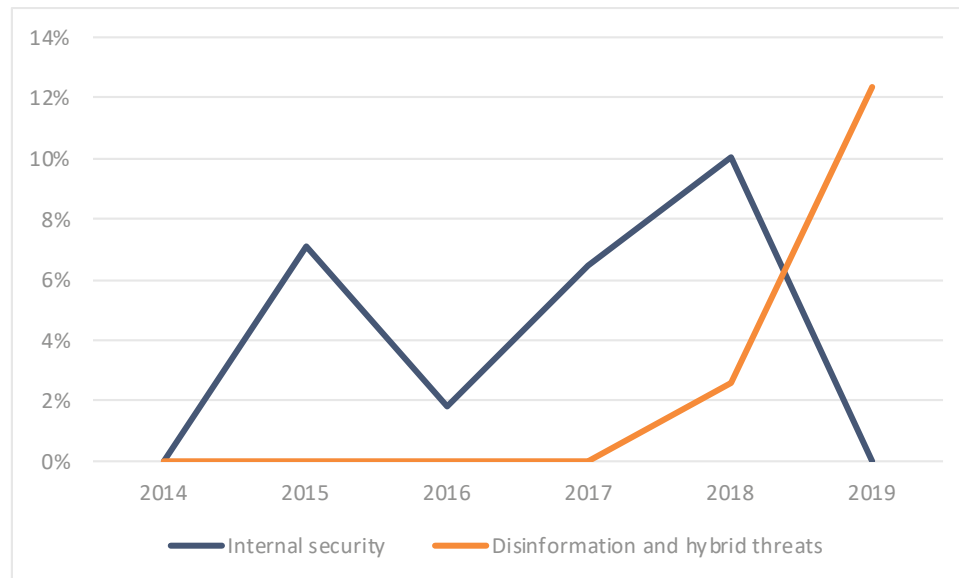
Source: EPRS

EU Heads of State or Government increased the attention they paid to internal security and/or terrorism, mainly following major terrorist attacks in Europe. Then, the European Council either held an extraordinary meeting on the topic or devoted significant time to the issue at a previously planned meeting.

Following the *Charlie Hebdo* attacks, for example, after which millions of people had expressed their solidarity with the victims (through the '*Je suis Charlie*' movement), an informal European Council meeting was held on 12 February 2015. At that meeting, Heads of State or Government adopted a statement on anti-terrorism measures, vowing to take stronger measures against terrorist threats in the coming months. As mentioned previously, the meeting of 17 and 18 December 2015, following the terrorist attacks in Paris in November 2015, constitutes a clear example of major agenda change, with the European Council dedicating significant time to internal security and/or terrorism, although the issues had not originally been foreseen on the agenda.

While attention to traditional areas of internal security, such as terrorism, has reduced over the most recent years (2018-2020), in the absence of major terrorist attacks across the EU, in late 2018 and early 2019 EU Heads of State or Government devoted substantial attention to new internal security issues such as *disinformation* and *hybrid threats* (see Figure 2).

D. Strategic orientations

The most recent standard Eurobarometer (from November 2019) indicates that terrorism remains among the top five concerns of European citizens, having been number two for many years. In the context of terrorist attacks and the need to provide a response to the fears expressed by Europeans,

most of the strategic documents adopted by the European Council over the last years, have included important elements on internal security. In the Rome Declaration EU leaders pledged to work towards 'a safe and secure Europe [...] determined to fight terrorism and organised crime'. Subsequently, in Sibiu, EU leaders committed to protect [their] citizens and keep them safe.

This focus on 'protecting citizens' was then cemented in the 2019-2024 strategic agenda, with the priority' protecting citizens and freedoms', which covers most issues in the area of JHA, featuring as first priority for the next five years. *Protecting citizens*, which corresponds to the policy area of internal security, is one of the main objectives within the priority 'protecting citizens and freedoms'.

The main strategic orientations in the 2019-2024 strategic agenda for *protecting citizens* are:

- Fight against terrorism and cross-border crime;
- Resilience against natural and man-made disasters;
- Fight against cyber-crime and hybrid threats.

In the 2019-2024 strategic agenda, the area of internal security policy also saw a number of new additions, namely 'resilience to natural and man-made disasters', 'malicious cyber activities', 'hybrid threats and disinformation'. The 'fight against terrorism and cross border crime' was continued as a policy issue from the 2014-2019 strategic agenda.

These strategic orientations will be further detailed as part of the upcoming new 'strategic guidelines for legislative and operational planning' within the area of freedom, security and justice. Moreover, in 2020, the Council is expected to adopt a new EU internal security strategy, which will then most likely be discussed by the European Council.

E. Noteworthy commitments: specific requests and follow-up

Over recent years, the majority of commitments and meetings in the field of internal security were related to the fight against terrorism. Many European Council meetings discussed this matter and issued commitments both at a general level and regarding specific issues, such as the prevention of radicalisation, ending terrorist financing and dealing with foreign fighters.

'Fighting the illicit trafficking of firearms'

A noteworthy commitment in this area is the issue of 'fighting the illicit trafficking of firearms', which provides a good example of involvement of the European Council in the policy cycle in general. EU leaders usually begin by setting strategic priorities before calling for a specific action or proposal (legislative or non-legislative); they then discuss and/or endorse an action or proposal; and later, they comment on the adoption or implementation of this action or proposal, or refer to a previous decision.

In February 2015, the EU Heads of State or Government called for increased 'cooperation in the fight against illicit trafficking of firearms, including by a swift adaptation of the relevant legislation'. This was followed up by the European Commission's proposal 'amending Council Directive 91/477/EEC on control of the acquisition and possession of weapons' of 18 November 2015, and the 'EU action plan against illicit trafficking in and use of firearms and explosives of 2 December 2015'.

On 15 December 2015, the European Council called on the Council to 'rapidly examine the Commission proposals on combatting terrorism and on firearms'. Subsequently the European Council meeting of 15 December 2016 welcomed the political agreement between the co-legislators on the counter-terrorism directive as an important step that should be followed by 'swift adoption of the proposal on firearms'. The co-legislators adopted this piece of legislation on 24 May 2017.

Prevention of radicalisation and the phenomenon of foreign fighters

The current strategic guidelines for the area of JHA, adopted in June 2014, addressed the prevention of radicalisation and the phenomenon of returning foreign fighters, i.e. individuals who join insurgencies abroad and whose primary motivation is ideological or religious rather than financial.[4] While the prevention of radicalisation was already part of various European Council conclusions in the 2000s, a sense of urgency reached the level of EU Heads of State or Government, who, in August 2014 called, at their special European Council meeting, for determined action to stem the flow of foreign fighters. They called for 'accelerated implementation of the package of EU measures in support of Member States' efforts, as agreed by the Council since June 2013, in particular to prevent radicalisation and extremism, share information more effectively – including with relevant third countries, dissuade, detect and disrupt suspicious travel and investigate and prosecute foreign fighters'. At that point, EU Heads of State or Government also pledged to review this matter at their meeting in December 2014, but did not do so until the extraordinary European Council meeting on terrorism in February 2015, following the Charlie Hebdo attacks. The notion that 'preventing radicalisation is a key element in the fight against terrorism' is an essential part of the EU's internal security strategy, and the need to prevent radicalisation was repeated at various subsequent European Council meetings in 2016, 2017 and 2018.

Fight against disinformation

Mentioned for the first time by the European Council in 2015 in relation to Russian activities, the fight against disinformation has become an important issue for Heads of State or Government in the area of protecting citizens since the June 2018 European Council. From that date, numerous formal European Council meetings (October 2018, December 2018, March 2019 and June 2019) have addressed the issue and stressed the need to 'protect the Union's democratic systems and combat disinformation'.

Fighting disinformation has also become an important dimension of the EU response to the coronavirus crisis. In their joint statement of 26 March 2020, the Members of the European Council stressed that they would 'resolutely counter disinformation with transparent, timely and fact-based communication' on what they were doing and thus 'reinforce the resilience of our societies'. Consequently, the European Commission is attempting to combat disinformation on the coronavirus pandemic by providing authoritative sources and separating fact from fiction. The Council has created a similar webpage, outlining the existence and spread of false or inaccurate information and listing reliable alternative sources of information.

Internal and external border management during the coronavirus crisis

One of the main reactions by Member States and the EU to the pandemic has been to enact travel restrictions within the EU and towards third countries, putting the Schengen border system under severe pressure.

External border management

At their video conference of 17 March 2020, EU Heads of State or Government agreed to 'reinforce the external borders by applying a coordinated temporary restriction of non-essential travel to the EU for a period of 30 days'. They thereby endorsed the Commission's communication and guidelines of the previous day. Subsequently, on 30 March 2020 the Commission adopted guidance on how to implement temporary travel restrictions, facilitate repatriations from across the world, and deal with people whose visas had lapsed as a result of travel restrictions. Since then the Commission has twice assessed the application of the temporary restriction on non-essential travel to the EU (first on 8 April, and again on 8 May). In these assessments, the Commission invited the Member States to

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[4] See Foreign fighters: Member State responses and EU action, EPRS, European Parliament, 2016.

prolong in a coordinated manner the application of the travel restriction on non-essential travel from third countries into the EU by another 30 days, i.e. first until 15 May 2020, and then until 15 June.

Internal border management

Individual Member States had already temporarily reintroduced border controls to stop the spread of the coronavirus. As the various national measures often differed in scope and nature this created a legal uncertainty in the Schengen area. Subsequently, in its video-conference of 17 March, the European Council endorsed the Commission's proposed border management guidelines, aimed at establishing a coordinated approach to border management.

At their video-conference of 26 March 2020, the Members of the European Council asked the President of the Commission and the President of the European Council to start working on a roadmap, accompanied by an action plan, to prepare an exit strategy and a comprehensive recovery plan. On 16 April, Charles Michel and the President of the European Commission, Ursula von der Leyen, presented the first part of the roadmap to the European Parliament, focusing on the coronavirus crisis exit strategy. Put forward the previous day, this joint European roadmap aimed at coordinating the lifting of containment measures across the EU and recommended a 'phased approach for the opening of our internal and external borders', eventually restoring the normal functioning of the Schengen area. More specifically, it recommended lifting internal border controls in a coordinated manner, and reopening external borders and allowing EU access to non-EU residents in a second stage. This was followed up on 13 May with a set of Commission guidelines, notably on how to gradually lift travel restrictions. It detailed criteria for and phases in a coordinated approach to lifting internal border controls and restoring freedom of movement.

F. Challenges ahead and outlook

In its political guidelines, the European Commission announced numerous initiatives in the area of internal security, including one aimed at extending the competences of the European Public Prosecutor's Office, a decision which needs to be taken by the European Council.

In its original work programme for 2020, the European Commission announced a 'new security union strategy' for the second quarter of 2020, and an initiative aimed at strengthening 'Europol's mandate' as well as a new 'EU strategy towards the eradication of trafficking in human beings' by the end of the year. Consequently, these topics would then most likely also receive attention from the European Council. Other issues related to the protection of citizens, which are expected to return to the European Council agenda, are the fight against disinformation, cybercrime, hybrid treats, the functioning of Schengen, the improvement of cooperation and information sharing as well as the implications of technological developments on internal security. Following the outbreak of the coronavirus pandemic, the European Commission presented an adjusted work programme for 2020 on 27 May. Some initiatives in this policy area, such as the new 'Security Union Strategy' and the new EU strategy to eradicate trafficking in human beings, have been postponed until later in the year. In addition to the challenges of external and internal border management, two direct consequences of the coronavirus crisis regarding the area of protecting citizens, are rising cybercrime in all Member States and a growing level of disinformation.

3. Respecting EU values and democracy

A. Background

'The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights' (Article 2 TEU).

In times of 'fake news', alternative facts and emerging threats to our democratic system, it is of critical importance to strengthen support for EU values and the rule of law. This is not only valid for forces external to the EU, but also within. Over recent years, some Member States' changes to their national legal and political system, notably Poland and Hungary, have been deemed a clear risk of a serious breach of EU values by the European Commission and the European Parliament.

EU Heads of State or Government pledged in the May 2019 Sibiu Declaration to 'uphold our shared values and principles enshrined in the Treaties. They reiterated this pledge in the 2019-2024 strategic agenda, which states that 'the EU shall defend the fundamental rights and freedoms of its citizens, as recognised in the Treaties, and protect them against existing and emerging threats'.

Defending EU values and democracy goes hand in hand with improved awareness and involvement of EU citizens in EU policy-making.

Going back as far as the Maastricht Treaty, when EU citizenship was established, EU institutions have attempted to increase the citizen engagement. Eurobarometer statistics show that between 2010 and 2016, EU citizens had mixed feelings about the 'way democracy works in the EU', after being very positive in the previous years. Moreover, since 2004, EU citizens had instead the feeling that their voice did not count in Europe, a feeling which was further strengthened during the years of the economic and financial crisis.

As part of their reflection period following the Brexit referendum, EU Heads of State or Government concluded in their 2016 Bratislava Declaration that they 'need to improve communication with citizens'. This message was reiterated in the 2017 Rome Declaration, in which EU leaders pledged 'to listen and respond to the concerns expressed by our citizens and will engage with our national parliaments'.

The end of 2016 saw a turning point: from then on citizens' positive views as to whether their voice counts in Europe steadily increased, reaching a majority in 2018-2019. At the same time, a strong increase in citizens' satisfaction, from a previous low, with the way 'democracy works in the EU' culminated with a high turnout for the 2019 European Parliament elections (51 %).

However, the outbreak of the coronavirus pandemic in early 2020 has had a notable impact on citizens' views on the Europe Union in certain Member States, with a perceived feeling of lack of solidarity felt in some of the countries worst hit by the virus that will need to be addressed. Meanwhile, in addition to affecting the well-being of EU citizens and the EU economy, the coronavirus crisis has also been accompanied by threats to democracy and the rule of law. In recent months, a number of Member States have introduced extraordinary measures to address the pandemic, not all of which were undisputed. Measures of this kind could have a negative effect on the oversight role of national parliaments, the independence of the judiciary, the right to free speech, press freedom, and the equal treatment of citizens. Indeed, observers have warned of possible scenarios in the medium term including 'much more nationalism, ... [and] more resort to authoritarian rule', if the EU fails to address the need for solidarity.

The conference on the Future of Europe, now expected to be launched in the second half of 2020, will show whether the EU can take another step towards greater citizen engagement, and work on the issues that are of concern to its people.

B. Legal basis for European Council action

- Article 3(1) (TEU) states that 'the Union's aim is to promote peace, its values and the well-being of its peoples'. Article 3(2) TEU further specifies this and indicates that 'the Union shall offer its citizens an area of freedom, security and justice without internal frontiers [...].

- Article 7 of the Treaty on the European Union (TEU) outlines two specific procedures to safeguard the values of Article 2 TEU: one preventive (Article 7 (1) TEU) and one sanctioning (Article 7 (2 and 3) TEU. The European Council has an important role under the sanctioning procedure, as it 'may determine the existence of a serious and persistent breach by a Member State of the EU's values'. So far the European Council has never declared the existence of such a breach of EU values, and the sanctioning procedure under Article 7 (2 and 3) TEU has thus never been triggered.

- Article 10 TEU: Member States and citizens are the two sources of the EU's legitimacy. Whilst in accordance with Article 10(2) TEU citizens are 'directly represented at Union level in the European Parliament' and have a 'have a right to participate in the democratic life of the Union (Article 10(3) TEU, the Member States are represented by their Heads of State or Government in the European Council (Article 10(2) TEU. This provision gives the European Council an indirect legitimacy but a specific role in the institutional framework.

- Article 11 TEU: The institutions shall, by appropriate means, give citizens and representative associations the opportunity to make known their views in all areas of Union action. The European Council is amongst the institutions concerned by this provision.

- Article 68 TFEU gives the European Council an important role in the area of freedom, security and justice, mandating it to define the strategic guidelines for legislative and operational planning within this area. New 'strategic guidelines for legislative and operational planning' within the area of freedom, security and justice are expected to be adopted by the European Council in the spring of 2020.

C. European Council focus on EU values and democracy

While the European Council has addressed issues related to EU values and democracy in its main strategic documents (see below) it has hardly addressed them at all as part of its regular meetings and these topics do not appear in their conclusions. The one noteworthy exception is the area of disinformation, which received a fair amount of attention over recent years (see below).

Contrary to the absence of these topics in the regular European Council meetings, EU Heads of State or Government addressed EU values and democracy at great length during the series of Future of Europe debates in the Parliament plenary sessions between January 2018 and April 2019.

Figure 3 – References to different topics related to EU values and democracy raised by EU Heads of State or Government during their Future of Europe debates in the EP 2018-2019
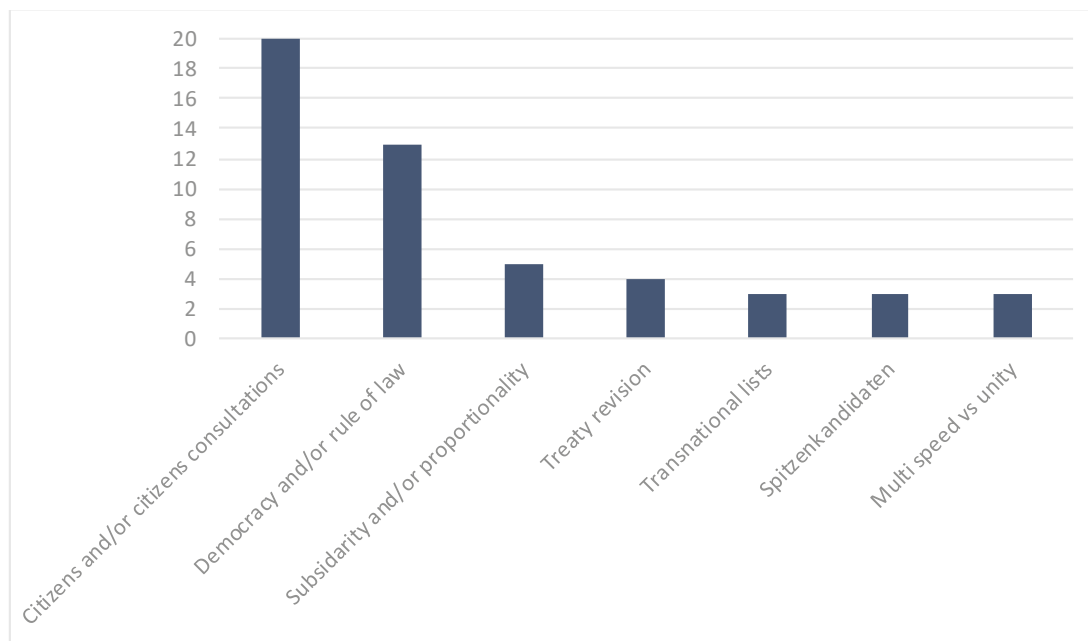
Source: EPRS

All of the 20 speakers referred to EU citizens, while some also addressed issues such as the rule of law, subsidiarity or Treaty revision (see Figure 3).

Of the six overall messages all speakers addressed in common within the framework of the Future of Europe debates, two referred to EU values and democracy:

> the importance of European values and the need to defend them, both within the EU and externally;
> the need to involve citizens more actively in the EU process and decision-making and to highlight to citizens the benefits of the EU and to deliver on their priorities.

D. Strategic orientations

In the 2017 Rome Declaration, the EU-27 Heads of State or Government, the European Parliament and the European Commission stressed that the European Union is founded on 'common institutions and strong values, a community of peace, freedom, democracy, human rights and the rule of law, a major economic power with unparalleled levels of social protection and welfare'. In the subsequent 2019 Sibiu Declaration, EU leaders pledged to '**protect our way of life, democracy and the rule of law**' and 'uphold our shared values and principles enshrined in the Treaties'.

The 2019-2024 strategic agenda, elevated the priority of 'protecting citizens and freedoms' to the top position for EU leaders. *Respecting EU values and democracies*, is one of the main objectives as part of the priority 'protecting citizens and freedoms'. The main strategic orientations for this particular field are the following:

> Upholding the rule of law
> Citizens and EU decision making
> Fighting disinformation

EU leaders committed to delivering on these priorities stating that 'our Institutions will work in accordance with the spirit and the letter of the Treaties. They will respect the principles of democracy, rule of law, transparency and equality between citizens and between Member States'.

E. Noteworthy commitments: specific requests and follow-up

Fighting disinformation

The European Council mentioned the need to fight disinformation for the first time in March 2015, in the context of Russian disinformation campaigns. Since then, EU Heads of State or Government have widened the focus, seeing it as an integral part of its objective of protecting the Union's democratic systems. It addressed disinformation, in one way or another, at all formal European Council meetings between June 2018 and June 2019.

In June 2018, the European Council invited the High Representative and the Commission to present an action plan for a coordinated EU response to the challenge of disinformation. Subsequently, in October 2018, EU Heads of State or Government gave further impetus to the issue by stressing that the Commission's work on 'election cooperation networks, online transparency, protection against cybersecurity incidents, unlawful data manipulation and fighting disinformation campaigns [...] deserve rapid examination and operational follow-up by the competent authorities'. In December 2018, the European Council stressed that 'the spread of deliberate, large-scale, and systematic disinformation, including as part of hybrid warfare, is an acute and strategic challenge for our democratic systems. It requires an urgent response that needs to be sustained over time, in full respect of fundamental rights'. It invited the Council 'to continue work on the issue [of disinformation] and to report back to the European Council in March 2019'.

In March 2019, it welcomed 'the important work accomplished in this respect in the past months, [calling] for further enhanced coordinated efforts to address the internal [...] aspects of disinformation and protect the European and national elections across the EU'. At the same time, it called 'for continued and coordinated efforts to safeguard the Union's democratic systems and to combat the immediate and long-term threats posed by disinformation, as an integral part of strengthening the EU's resilience against hybrid threats'. In June 2019, it called 'for sustained efforts to raise awareness, increase preparedness and strengthen the resilience of our democracies to disinformation'.

Fighting disinformation has also become an important part of the EU response to the coronavirus pandemic. As part of their joint statement of 26 March 2020, the Members of the European Council stressed that they would act resolutely to 'counter disinformation with transparent, timely and fact-based communication' on what they were doing and thus 'reinforce the resilience of our societies'. Consequently, the European Commission is combating disinformation on the coronavirus crisis by providing authoritative sources and separating fact from fiction. The Council has created a similar webpage, outlining the existence and spread of false or inaccurate information and listing alternative reliable sources for information.

Securing free elections

With a view to European Parliamentary elections in May 2019, the European Council raised the issue of ensuring free elections. Even if also related to disinformation, the topic concerned the European democratic system more specifically. This topic provides a typical example of the European Council's involvement in the policy cycle.

Figure 4 – European Council role in the EU policy cycle
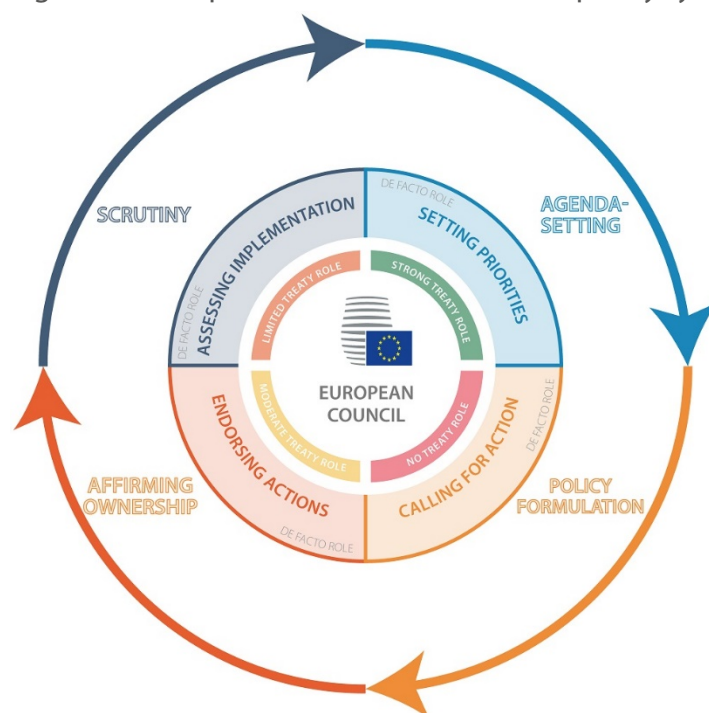
At its 18 October 2018 meeting, the European Council called 'for measures to protect the Union's democratic systems and combat disinformation, including in the context of the upcoming European elections, in full respect of fundamental rights'. Following this, the European Commission worked intensively on this aspect, including issuing guidelines for the conduct of the 2019 EU elections. In March 2019, the European Council provided affirmed ownership of the process by 'welcoming the important work accomplished in this respect in the past months', thereby endorsing the actions which had taken place. It then provided scrutiny of the process by outlining the aspects where implementation could be improved and called 'for further enhanced coordinated efforts to address the internal [...] aspects of disinformation and protect the European and national elections across the EU'.

Conference on the Future of Europe

At its 12-13 December 2019 meeting, the European Council considered the idea of a Conference on the Future of Europe starting in 2020 and ending in 2022. It recalled 'that priority should be given to implementing the strategic agenda agreed in June [2019], and to delivering concrete results for the benefit of our citizens'. The conference should contribute to the development of policies in the medium and long-term so that the EU can better tackle current and future challenges. It should build on the citizens' dialogues over the past two years and provide for broad consultation of citizens. It added that it needed to be 'an inclusive process, with all Member States involved equally'. The European Council stressed that the process should 'involve the Council, the European Parliament and the Commission, in full respect of the interinstitutional balance and their respective roles as defined in the Treaties'.

The European Council mandated the Croatian Council Presidency 'to work towards defining a Council position on the content, scope, composition and functioning of such a conference and to engage, on this basis, with the Parliament and the Commission'. Since then, the European Parliament and the European Commission have presented their views on the planned conference. The Council debated its vision on the Conference at the General Affairs Council on 28 January 2020 and at the COREPER meetings of 5 February 2020, 12 February 2020 and 14 February 2020, albeit without reaching a definitive position thus far.

Coronavirus crisis and EU values

Not only is the pandemic affecting the well-being of EU citizens and of the EU economy, it is also accompanied by threats to democracy. EU leaders have stressed on numerous occasions that any measures taken to address the coronavirus crisis must uphold EU values. In their joint statement of 26 March 2020, the Members of the European Council stressed that they would do everything necessary 'to protect [their] citizens and overcome the crisis, while preserving our European values and way of life'.

In recent months, a number of Member States have introduced extraordinary measures to address the coronavirus crisis, not all of which have been undisputed. On 31 March, Commission President Ursula von der Leyen, stressed that 'it is of utmost importance that emergency measures are not at the expense of our fundamental principles and values as set out in the Treaties' and that 'any emergency measures must be limited to what is necessary and strictly proportionate'. The European Commission is monitoring the application of emergency measures in all Member States closely.

In a statement on 1 April, 18 Member States expressed their concern at recent developments. They stressed that, while it was legitimate for Member States to adopt extraordinary measures 'to protect their citizens and overcome the crisis', they were 'deeply concerned about the risk of violations of the principles of rule of law, democracy and fundamental rights arising from the adoption of certain emergency measures'. Subsequently, at their meeting on 6 April, EU justice ministers assessed the extraordinary measures that had been adopted since the outbreak of the pandemic, and the impact of the crisis on their justice systems. They agreed that 'any extraordinary measures taken should be in line with the fundamental values of the Union'.

The perceived threat to EU values and democracy resulting from the coronavirus crisis was also underlined by the European Parliament. It passed a resolution on 17 April emphasising that 'all measures taken at national and/or EU level must be in line with the rule of law, strictly proportionate to the exigencies of the situation, clearly related to the ongoing health crisis, limited in time and subjected to regular scrutiny'. Parliament deemed 'totally incompatible with European values' both the decision of the Hungarian government to prolong the state of emergency indefinitely, authorise the government to rule by decree without time limit, and to weaken the emergency oversight of the Parliament, and the steps taken by the Polish government – namely changing the electoral code against the judgment of constitutional tribunal and provisions laid by law.

The European road map for recovery, issued on 21 April by Ursula von der Leyen and Charles Michel, stated that 'the core principles and values on which the Union is based must remain at the centre of our approach. Respect for the rule of law and human dignity is the best way to ensure a strong, robust and inclusive recovery of our societies'.

On 22 April, the Council exchanged views on relaxing coronavirus-related measures at national and European level as well as on the proportionality of the measures taken in response to the public health crisis, bearing in mind the need to uphold fundamental rights and the rule of law. Subsequently, on 23 April, at the video-conference of EU Heads of State or Government, the European Council President, Charles Michel, concluded that 'We have to draw lessons from the Covid-19 crisis to become more resilient, more efficient and effective. Respect of core European values is the best way to ensure a strong, robust and inclusive recovery of our societies'.

F. Challenges ahead and outlook

Differing from the European Council, the European Commission, in its political guidelines for 2019-2024, places great emphasis on EU values and democracy by dedicating one of its main priorities, 'a new push for European democracy' to this area. The Commission outlined numerous projects in this area; it notably referred to an initiative relating to the mechanism aimed at ensuring respect of the rule of law within the Member States; to a right of initiative for the European Parliament; improvement of the lead candidate system for the election of the Commission's President; review of the appointment and/or election process for the presidents of the institutions; as well as the creation of transnational lists. Many of these topics are likely to be discussed as part of the upcoming conference on the future of Europe, which had initially been expected to begin on 9 May 2020 and could also be discussed at European Council level.

As part of their joint statement of 26 March 2020, the Members of the European Council, stressed that 'we must also draw all the lessons of the present crisis and start reflecting on the resilience of

our societies when confronted with such events. In that respect, the time has come to put into place a more ambitious and wide-ranging crisis management system within the EU'. The lessons learned from the coronavirus crisis, in particular on cooperation among Member States and between them and the EU institutions, could take an important place in the upcoming conference on the future of Europe. Several of those attending of the video conference of the General Affairs Council on 26 May supported this view, and the Council Presidency is hoping to agree on the Council's position on the conference as soon as possible.

In the autumn, the Commission is planning to 'reflect on key rule of law developments stemming from the crisis' in its upcoming first ever annual rule of law report. Another item that can clearly be envisaged is the European democracy action plan, which the European Commission announced in its work programme for 2020 for the last quarter of 2020.

4. A strong and vibrant economic base

A. Background

The EU single market of 440 million people and 27 countries is now 27 years old. Free movement of goods, services, people and capital has, according to experts, led to 'between 8 % and 9 % higher GDP on average for the EU'. The single market is in many ways a success story, but barriers and obstacles persist, which prevent the reaping of its full benefit. Removing them is a vital task in today's highly competitive world, where Europe is hampered by, for example, slow economic and productivity growth, an ageing population and a lack of RDI investment. Climate change and rapid technological transformation also pose challenges to European competitiveness.

The Covid-19 coronavirus pandemic has severely disrupted the four freedoms on which the single market is built. In addition to human suffering, the pandemic has led to the closure of European borders, put societies in lockdown, disrupted supply chains and caused severe damage to European industry and businesses, especially small and medium-sized enterprises (SMEs). Before the coronavirus outbreak, the European Council was expected to discuss strengthening the EU's economic base as one of the main items on the agenda of the March 2020 meeting. Ahead of that meeting, 15 Member States published a joint contribution on the topic. The regular March meeting was postponed; instead, EU Heads of State or Government focused on responding to the severe impact of the crisis. As emphasised by the European Council President, Charles Michel, on 15 April: 'The crisis we are facing is huge and unprecedented. ... The internal market has been damaged. ... The first priority is to repair the internal market and make sure that it can function properly'. In that context, the industrial strategy, SMEs, the digital agenda, the European Green deal and climate change are all important priorities for the Heads of State or Government to address.

Pointing to the vulnerabilities revealed in the course of the crisis, and notably the dependency on third countries for certain strategic products, EU leaders have underlined the need to secure the EU's 'strategic autonomy'. This concept is mentioned in the joint roadmap to recovery document, in which it is defined as a 'need to produce critical goods in Europe, to invest in strategic value chains and to reduce over-dependency on third countries in these areas'. Building a resilient infrastructure that can withstand unforeseen 'black swan' events is also essential. European Council President Charles Michel reiterated this in his speech to the European Parliament on 13 May and called for a renewed focus on 'Made in Europe'.

A strong economy is vital for the European Union as it helps improve welfare and create jobs, and gives Europe a prominent role on the global stage. The European Council identified the strengthening of the European economic base as one of its priorities in the 2019-2024 strategic agenda. According to the Heads of State or Government, a solid foundation needs to be laid by strengthening the single market, creating a future-oriented industrial policy, addressing the digital revolution and ensuring fair and effective taxation. As a crucial component of this policy, investing in the future is also prominent in the strategic agenda: supporting skills development and education, increasing research efforts and encouraging both public and private investment are all important elements in preparing the EU for future challenges and opportunities. This objective appears more crucial than ever in the context of the pandemic.

The European Council discussed the single market and related topics a year ago, at its March 2019 meeting. EU leaders indicated that a strong economic base should be 'achieved through an integrated approach addressing the current and emerging global, technological, security and sustainability challenges, and connecting all relevant policies and dimensions'. The Heads of State or Government called for action on the single market, and pressed for further deepening and strengthening measures. At the same March meeting, they asked the European Commission to

present a long-term action plan for better implementation and enforcement of single market rules, and a long-term vision for the EU's industrial future. Further action on ensuring fair and effective taxation, and stepping-up investment in research and innovation were also underlined.

The new European Commission addressed many of these topics in its political guidelines for the next five years, in the initial work programme for 2020 and in its updated version, which was presented on 27 May 2020. In September 2019, the Finnish Presidency of the Council of the EU had already presented a presidency report entitled 'Vision for a long-term strategy on sustainable growth', which analysed topics linked to strengthening the economic base. Furthermore, the annual sustainable growth strategy 2020, published before the coronavirus crisis, looks at topics affecting growth in Europe.

B. Legal basis for European Council action

A strong and vibrant economic base is such a multifaceted topic that many parts of the Treaty on the Functioning of the European Union (TFEU) apply. For the general principles, Articles 4(2)(a), 26 and 27 (on internal market), and 114 and 115 (on approximation of laws) are relevant. When looking at the general principles of EU industrial policy, Article 173 TFEU (on industry) applies. For innovation policy, the key TFEU articles are 173 (on industry) and 179 and 190 (on research, technological development and space). In the case of tax policy, several provisions apply, depending on the type of taxation in question.

However, none of the above mentioned articles address the role of the European Council. The general provision that can be used in this case is **Article 121(2)** of the Treaty on the Functioning of the European Union (TFEU) where it says that 'the European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Union'. Furthermore, the European Council has an important role in the European Semester process, and in that context 'identifies the main challenges facing the Union and the euro area and gives strategic guidance on policies' (recital 14, Regulation 1175/2011).

C. Strategic orientations

According to the European Council strategic agenda 2019-2024, 'a strong economic base is of key importance for Europe's competitiveness, prosperity and role on the global stage and for the creation of jobs'. Some of the most important aspects of making the EU economic base stronger include:

Strengthening the single market

The EU single market turns 30 in three years. It is a unique success story that has helped goods, services, capital and people move freely both physically and online. Even though great advances have been made over the decades, barriers persist. In March 2019, EU leaders stressed that remaining obstacles should be removed and no new ones created. At that meeting, they stated that the 'single market should be further deepened and strengthened, with particular emphasis on the development of a service economy and on mainstreaming digital services'. The strategic agenda 2019-2024 further underlines the need to deepen and strengthen the single market and its four freedoms. The European Parliament has been a strong supporter of the single market, and in its December 2018 resolution on the single market package, the Parliament called on the Commission 'to ambitiously plan single market actions' in view of the 2019-2024 term, and on the European Council 'to commit to a new pledge to complete the single market by 2025, including a new public timetable for actions, as European leaders did in 1985'. The European Commission published a single market barriers communication on 10 March 2020, as well as an action plan for single market rules enforcement aimed at making the single market more robust.

The coronavirus crisis has posed an unprecedented challenge for the EU single market, as the free movement of people and goods has been heavily disrupted by lockdowns and internal EU border closures. Further problems have been caused by internal export bans on medical equipment, and a lack of solidarity between Member States in this unprecedented situation. The European Council president has said that repairing the internal market is now the first priority, as it is 'the beating heart of economic development and therefore of the European Union's capacity for social cohesion'. With the aim of moving from crisis to recovery, the European Council asked President Michel together with Commission President Ursula von der Leyen to prepare two roadmaps – one for lifting the containment measures, published on 15 April, and one focused on recovery, published on 21 April ahead of the European Council video meeting on 23 April. Speaking in the European Parliament plenary on 13 May, Michel called on all the Member States to 'reopen their internal borders as soon as possible' to revive European economies and tourism.

An industrial policy fit for the future

To tackle the European competitiveness challenges, France and Germany joined forces in early 2019 and, in a Franco-German Manifesto, outlined their views for a European industrial policy fit for the 21st century. They called for strategic thinking, unity and clear objectives for 2030, and underlined that sizeable investments in innovation as well as adaption of the regulatory framework, including effective measures to protect EU technologies, companies and markets, were needed. The European Council discussed the topic at its March 2019 meeting and invited the Commission to present, by the end of the year, a long-term vision for the EU's industrial future that addresses 'the challenges European industry faces, touching upon all relevant policy areas'. The Commission included the topic in its 2020 work programme, and published the strategy entitled 'A New Industrial Strategy for Europe' on 10 March 2020. The strategy builds on work done beforehand, such as the 2017 Commission communication on a renewed EU industrial policy strategy. A linked document, the new SME strategy, was presented at the same time.

The coronavirus pandemic has disrupted the normal operations of EU industries and put many businesses under severe economic strain. In his intervention in the European Parliament plenary in April, the European Council President, Charles Michel, underlined the need for a strong industrial strategy to beat the crisis. Furthermore, on 24 April, the European Parliament's Committee on Industry, Research and Energy called for a structured industry recovery plan, with support tailored for each sector.

At the same time, the concept of 'strategic autonomy', mentioned in the roadmap to recovery, in the European Parliament's April resolution and in Charles Michel's speech to the European Parliament plenary on 13 May, is gaining momentum. The concept points to the need for the EU to be less dependent on third countries, to produce critical goods in Europe and to invest in resilient infrastructure as well as strategic value chains.

Fair and effective taxation

Taxation has been a very visible topic in the EU in recent years. The European Parliament had two special committees on the topic, TAXE 1 and TAXE 2, and the PANA committee of inquiry, that all looked into tax evasion, tax avoidance and aggressive tax planning that, according to some estimates, could cause a loss to the EU of as much as €1 trillion in tax income annually.

The issue of taxation is particularly topical in the current situation. Whereas in times of crisis such as the coronavirus pandemic, government financial input and investment is more necessary than ever, at the same time, tax revenues may dwindle as a result of reduced economic activity, with a severe financial risk involved for certain Member States.

The question of digital taxation is closely linked with lost taxes. In its June 2018 conclusions the European Council said that the 'fight against tax avoidance, evasion and fraud must be vigorously

pursued both at global level (notably in the Organisation for Economic Co-operation and Development) and within the EU'. Commission President Ursula von der Leyen, in her political guidelines, outlined that: 'I will ensure that taxation of big tech companies is a priority. I will work hard to ensure the proposals currently on the table are turned into law. Discussions to find an international solution are ongoing, notably at the OECD. However, if by the end of 2020 there is still no global solution for a fair digital tax, the EU should act alone.' This determination is also reflected in Executive Vice-president Vestager's mission letter: 'You will coordinate the work on digital taxation to find a consensus at international level by the end of 2020 or to propose a fair European tax.'

International digital taxation negotiations were set to continue despite the coronavirus situation with a new round of talks in Berlin scheduled for July, but the timeline has had to be adjusted because of the pandemic. However, the end-of-year deadline is still in place. According to the Commissioner for the Economy, Paolo Gentiloni, the virus has highlighted the importance of a digital tax all the more.

D. Noteworthy commitments: specific requests and follow-up

Improving the business environment for SMEs: 99 % of the businesses in the EU are small and medium-sized enterprises (SMEs).[5] They are the backbone of European economy: a large share of European gross value added stems from their activities. At the same time, SMEs are often affected disproportionately by the costs of existing and new regulation compared to their bigger competitors. In addition, they generally face greater difficulties in accessing capital and expanding their activities to international markets. In its March 2019 conclusions, the European Council highlights that 'due regard should be paid to an improved business environment for SMEs' and in its 2019-2024 strategic agenda that 'investing in our future also means encouraging and supporting public and private investment, including in infrastructure, to finance the growth of our economy and our businesses, including SMEs'. In her political guidelines, Commission President von der Leyen expresses the intention to create large innovators out of small businesses, and commits to putting forward a dedicated SME strategy that reduces red tape and eases market access for SMEs.

The strategy in question, entitled 'An SME strategy for a sustainable and digital Europe' was presented by the Commission on 10 March 2020. It focuses on three large themes: i) capacity-building and support for the transition to sustainability and digitalisation; ii) reducing regulatory burden and improving market access; and iii) improving access to financing.

SMEs have been hard-hit by the impact of the coronavirus and the resulting lockdowns. In his speech to the European Parliament plenary in April, the European Council President, Charles Michel, highlighted the crucial importance of supporting SMEs in this situation, and stressed the role of the new SME strategy in the recovery.

Digital taxation: In the digital age, earning profit in a country no longer necessarily requires setting-up factories or offices on the ground, but can be effected by offering products or services through digital platforms. This results in the difficulty of localising value creation, and as a result, the ensuing taxation questions become increasingly complicated. Multilateral talks with a two-pillar structure are ongoing at OECD level, with the aim of developing a global solution to fair digital taxation by the end of 2020. At the same time, France has been discussing the topic with the United States, which has a very strong 'big tech' digital presence around the world. However, many questions remain open. The United Kingdom (UK), an important actor in the field of digital taxation,

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[5] SMEs employ fewer than 250 persons and have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million.

introduced a unilateral digital services tax in April 2020, which will remain in force as long as there is no multilateral model to replace it. The European Council has pressed for ensuring fair and efficient taxation, and the new European Commission has stressed that 'if by the end of 2020 there is still no global solution for a fair digital tax, the EU should act alone'.

Increasing research and innovation efforts: The EU leaders stated in March 2019 that 'in order to remain globally competitive in key technologies and strategic value chains, the EU needs to encourage more risk-taking, and step up investment in research and innovation'. According to the Europe 2020 strategy adopted in 2010, 3 % of the EU's GDP should be invested in research and development in 2020. The latest 2017 figures from Eurostat show that, with a 2.06 % investment level, the goal was still far from being met. At the EU level, the 9th edition of the Union's framework programme for research and innovation, Horizon Europe, is under preparation. The co-legislators have achieved a partial provisional agreement on the new programme before the European elections in 2019, and Horizon Europe is now waiting for the overall multiannual financial framework budget numbers. The European Innovation Council (EIC), which was already piloted by the European Commission, is an integral actor in turning 'scientific discoveries into businesses that can scale up faster'. The idea behind the EIC links well with the Commission guidelines for this five-year legislative cycle, which also mention the intention of turning small businesses into large innovators. In parallel to the EIC, the EU is fostering innovation through the European Institute of Innovation and Technology (EIT). The co-legislators are currently working on a new EIT legislative package. Furthermore, the Commission work programme envisages actions for 2020 aimed at increasing research and innovation efforts, such as the communication on the future of research and innovation and the European Research Area (expected for the third quarter of 2020); and the communication on Horizon Europe research and innovation missions (expected for the fourth quarter of 2020).

As part of the common European response to the coronavirus outbreak, the European Commission has mobilised €1 billion under Horizon 2020, and launched several special measures to tackle the coronavirus pandemic in the EU and abroad. These actions address, inter alia, the development of diagnostics, treatments and vaccines, and the enhancement of infrastructures and resources that enable research. The European Research Area's action plan prioritises better cooperation, data-sharing and funding efforts. The Commission has also helped mobilise up to €117 million through the Innovative Medicines Initiative, and offered financial support to German company CureVac for vaccine development. The EU and its partners hosted an international online pledging conference on 4 May to raise funds for diagnostics, treatments and vaccines to fight the coronavirus. The event managed to raise €7.4 billion for the cause, of which €1 billion was pledged under the EU's Horizon 2020 programme.

E. Challenges ahead and outlook

In just a few months, the unexpected 'black swan event' of the coronavirus crisis has changed Europe as we know it. External and internal borders have been closed, lockdowns implemented, supply chains interrupted, planes grounded, businesses faced with serious financial difficulties and unemployment on the rise. Returning to 'normal' as we knew it in January and February 2020 may take a long time and, according to estimates, this will not be possible before a vaccine is widely available. The beating heart of the EU economy, the single market with its four freedoms, has endured a great shock, and repairing and upgrading it is high on the EU leaders' agenda. The idea also features in the Franco-German initiative for European recovery from the coronavirus crisis, in which the two countries propose to enhance 'EU economic and industrial resilience and sovereignty' and give a 'new impulse to the single market'.

One of the hardest hit sectors with the gloomiest recovery prospects is the EU travel and tourism industry, which contributed 3.9 % to EU GDP in 2018. The World Tourism Organization, UNWTO,

reports that in 2020, international tourist numbers could be down by 60 to 80 %. On 13 May, the Commission published guidance on how to resume travel and tourism in the EU safely, and European Council President Charles Michel called on Member States to reopen internal EU borders as soon as possible to revive EU economies and tourism.

The concept of strategic autonomy, that includes reducing overdependence on third countries and producing essential items in Europe, has gained momentum during the crisis. It is mentioned as one of the building blocks for future recovery in the joint EU roadmap for recovery. This ties in closely with implementation the new industrial strategy.

In addition to the acute coronavirus crisis, the twin transition of climate change and rapid digitalisation progress will bring about many challenges for the Union's economic base, but opportunities will also arise. The European Council has committed to transforming the EU into a climate-neutral continent by 2050; this will require significant efforts from all the actors and at all levels of society. The European Green Deal proposal, published in December 2019, aims at providing the strategic and legal framework for the changes that are needed to achieve the climate goals and to prevent the projected worst-case scenarios from happening. Increasing European competitiveness has also been considered when designing the package.

Fast progressing digitalisation will, like climate change, have a profound impact on European societies and on the EU economic base in the coming years. To respond to this and other challenges European industry is facing, in its March 2019 conclusions, the European Council asked the Commission to propose a long-term vision for the EU's industrial future by the end of 2019. That deadline passed, but the Commission included the strategy in its work programme for 2020, and a communication entitled 'A new industrial strategy for Europe' was published on 10 March 2020.

Demographic change is also a critical phenomenon shaping European societies. Europe has an ageing population with nearly one fifth aged 65 or more. This will pose a challenge for the European economy and also for the creation of a strong and vibrant economic base, as the share of the population at working age (15-64 years) is forecast to decrease from 333 million in 2016 to 292 million in 2070 (these numbers date from 2018 and therefore include the UK in the projection). The 2019 EPRS demographic outlook for the European Union states that: 'Demography matters. The economy, labour market, healthcare, pensions, the environment, intergenerational fairness and election results – they are all driven by demography'. Indeed, EU leaders underline in the strategic agenda that strengthening the economic base also requires addressing the demographic challenges that the Union faces.

With a view to a forthcoming discussion on strengthening the EU economic base, which had been expected at the now postponed March 2020 European Council, 15 Member States[6], known as the 'friends of the single market', published a joint letter on making the single market fair, open and competitive. The letter stated that: 'The EU needs to focus on improving its competitiveness, productivity and enabling value creation in all economic activities and strategic value chains that are crucial for sustainable growth and wellbeing'. It goes on to list actions needed, such as a level playing field, a truly borderless single market for services and better implementation and enforcement of rules. Although the March discussion on strengthening the EU economic base was postponed, pursuit of this objective now appears more urgent than ever. It is therefore likely that the topic will soon reappear on the European Council agenda.

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[6] The 15 Member States are: Austria, Czechia, Estonia, Finland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden.

5. Digital sovereignty

A. Background

For decades, Moore's law about the number of transistors in a chip doubling every two years has set the pace and framework for technological development. Even though some experts suggest the law is now dead that and computing power will no longer fuel innovation in the same way as before, not everyone shares the view. With 5G, artificial intelligence, robotics, blockchain and other advanced and emerging technologies, the digital revolution is rapidly changing the way Europeans live their daily lives. The transition opens many possibilities, but also poses challenges. It is therefore of utmost importance for the European Union to be proactive and stay ahead of developments.

Establishing and maintaining Europe digital sovereignty in a world where many want to lead the technology race, has been a priority for the European Council. The USA, backed up by influential tech giants, and China, supported by state aid, are strong players in the global setting, and there are concerns that technological development might become dominated by these two powers. As the Commission stresses: 'Europe needs to be a strong, independent and purposeful digital player in its own right'. EU Heads of State or Government are fully aware of the opportunities and challenges of artificial intelligence, 5G and other new technologies in helping to create wellbeing, growth and jobs. Data use and data protection, intellectual property rights, privacy and cybersecurity are all important topics to be considered in this regard. EU leaders also place strong emphasis on 'the environment of trust' that needs to exist broadly across society and the economy, so that the new technologies can live up to their full potential and be compatible with European democracy.

The European Council usually discusses issues related to the digital single market and topics linked with research and new technologies at its spring meeting. In March 2019, the Heads of State or Government stressed that the 'EU needs to go further in developing a competitive, secure, inclusive and ethical digital economy with world-class connectivity'. They also underlined that 'in order to remain globally competitive in key technologies and strategic value chains, the EU needs to encourage more risk-taking, and step up investment in research and innovation'.

This year, following the unexpected and unprecedented outbreak of the coronavirus pandemic, the regular European Council spring meeting was postponed; part of the regular work is on hold while the EU Heads of State or Government focus on tackling the acute crisis. However, the post-virus recovery strategy with medium and long-term actions is already under discussion: on 21 April 2020, the President of the European Council, Charles Michel, and the President of the European Commission, Ursula von der Leyen, presented a joint roadmap for recovery outlining key areas of action to enable the EU to respond to the crisis in the medium term. As digital tools and remote connections have been crucial for governments, businesses, and private individuals alike during the crisis, the EU leaders have emphasised the major role of the digital transformation in the future recovery work, alongside the green transition. Digital transition is also mentioned as being key to recovery in the Franco-German paper on an initiative for European recovery from the coronavirus crisis, published in May 2020, which calls for an acceleration of digitalisation.

With a view to the new institutional cycle, the European Council adopted its 2019-2024 strategic agenda in June 2019, setting priorities for the next five years, and the new Commission has presented its political programme. Digital transformation and completing the digital single market already featured prominently on the political agenda before the start of the pandemic and it is likely that the strategic importance of these policy priorities will continue grow still more. To illustrate this trend, the use of mobile applications and artificial intelligence (AI) to combat the virus is already under discussion, and some measures have already being implemented. Most of Europe, and the

world, has taken a major digital leap during the lockdown period that is expected to have [a lasting effect](#).

B. Legal basis for European Council action

While the EU has been working on developing a more integrated European digital economy since the mid-1990s, the concept of the digital single market is not mentioned in the treaties. [The parts entitled 'internal market'](#), especially **Articles 26 of 27,** of the Treaty on the Functioning of the European Union ([TFEU](#)) apply. However, the European Council is not specifically mentioned in these articles, as decision-making in the single market and digital single market areas fall under the ordinary legislative procedure with European Parliament and the Council of the European Union acting as co-legislators. Therefore, its role in the area of the digital single market is to 'define general political directions and priorities', which is the core role envisaged for the European Council in [Article 15(1)](#) if the Treaty on the European Union (TEU).

In addition, under **Article 121(2)** of the [TFEU](#), 'the European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Union'. The European Council also [plays an important role](#) in the European Semester process where it does a horizontal review early each year and 'identifies the main challenges facing the Union and the euro area and gives strategic guidance on policies' ([recital 14, regulation 1175/2011](#)). The Heads of State or Government also endorse the [country-specific recommendations](#), usually in June, before the Council adopts them, usually in July.

C. Strategic orientations

In its [2019-2024 strategic agenda](#), [adopted](#) in June 2019, the European Council states that 'over the next few years, the digital transformation will further accelerate and have far-reaching effects. We need to ensure that Europe is digitally sovereign and obtains its fair share of the benefits of this development'. Making Europe fit for the digital age has been taken on board by the new European Commission as one of the [six overarching priorities](#). As one of the most quickly developing fields at the moment where the potential gains are significant, a number of [important proposals](#) are in the pipeline on the digital front. Yet potential looming challenges are also great and need to be addressed.

Over the last years, the European Council has raised many aspects of digital sovereignty. Currently, the strategic orientations in this field put emphasis on the following:

Digital single market

Put forward in 2015, [the digital single market strategy](#) stresses the need to complete the EU digital single market as soon as possible. Although this objective was reiterated in the 2017 [midterm review](#), progress was not conclusive. Thus, in its [March 2018 conclusions](#) the European Council called for 'increased efforts to deliver, before the end of the current legislative cycle, on the single market strategy, the Digital single market strategy [...]'. And, [in December 2018,](#) it underlined the 'the need for the single market to evolve so that it fully embraces the digital transformation, including Artificial Intelligence, the rise of the data and service economy, connectivity, and the transition to a greener economy'. Then, at the [March 2019](#) European Council, EU leaders reiterated that 'the single market should be further deepened and strengthened, with particular emphasis on the development of a service economy and on mainstreaming digital services'.

The [EPRS end-of-term assessment](#) on the progress made on the Juncker Commission's ten priorities highlights that the digital single market strategy has been successful when looking at the numbers, i.e. in terms of files adopted and initiatives launched. However, the study finds that 'some voices have been more critical, claiming that the strategy has failed to live up to its initial promise,

sometimes lacking boldness and watering down more politically difficult solutions that may have achieved more in terms of market integration'.

The Commission President, Ursula von der Leyen, has promised to deliver in this field and announced in her political guidelines: 'A new Digital Services Act (that) will upgrade our liability and safety rules for digital platforms, services and products, and complete our Digital single market'. According to the Commission's initial 2020 work programme, the digital services act was envisaged for the fourth quarter of the year. As a response to the coronavirus pandemic, a revised work programme was presented on 27 May 2020 and it confirms that the proposal will be published before the end of the year. On 19 February 2020, the Commission published a communication entitled 'Shaping Europe's digital future', in which it stresses the importance of technology that works for people in an open, democratic and sustainable society.

Building a data economy

To compete successfully in the big data era, the EU needs to make it easier for companies to access vast amounts of data, and great computing power is needed to process and put this data to work. In the strategic agenda 2019-2024, EU Heads of State or Government highlighted that 'we need to ensure that Europe is digitally sovereign and obtains its fair share of the benefits of this development […] to this end, the EU must work on all aspects of the digital revolution and artificial intelligence: infrastructure, connectivity, services, data, regulation and investment'. Previously, in their March 2019 conclusions, they also called for a 'forward-looking digital policy, fit for an age of digital transformation and the rise of the data economy.' At the same meeting, EU leaders also stressed that 'special emphasis should be placed on access to, sharing of and use of data, on data security and on artificial intelligence, in an environment of trust'. In line with its 2020 work programme, on 19 February 2020, the Commission published a European strategy for data that answers the request from EU leaders.

Contact tracing and warning mobile applications, fuelled by data, are likely to play an important role in the fight against coronavirus and in ending the lockdown, as shown in the EU roadmap to lifting coronavirus containment measures, published on 15 April. However, there are privacy concerns, and the EU Member States together with the Commission have developed a toolbox, published on 16 April, to make sure these apps are fully compliant with EU rules. An accompanying guidance document on data protection was released at the same time. In addition, on 13 May, the Commission issued a common approach on the topic.

Artificial intelligence and frontier technologies

'Can machines think' was Alan Turing's question in a paper published in the 1950s, which launched, in a way, the age of artificial intelligence (AI). Since then AI has taken big leaps forward, and it is already present in many everyday items such as Apple's Siri assistant or Netflix recommendations on what to watch next. In the coming years, the range of applications for AI will only widen and reach many sectors from healthcare to farming. Several times over the past years, Heads of State or Government have highlighted the importance of artificial intelligence and new frontier-pushing technologies, such as high-performance computing. In their 2019-2024 strategic agenda, they underlined that 'EU must work on all aspects of the digital revolution and artificial intelligence: infrastructure, connectivity, services, data, regulation and investment'.

Following up on the topics raised by the European Council, the new Commission points out in its political guidelines for the next five years that 'to lead the way on next-generation hyperscalers, we will invest in blockchain, high-performance computing, quantum computing, algorithms and tools to allow data sharing and data usage. We will jointly define standards for this new generation of technologies that will become the global norm'. A white paper on artificial intelligence, published on 19 February 2020, and building on the 2018 AI communication 'Artificial intelligence for Europe', is one of the early tangible outputs.

During the coronavirus crisis, AI has been used, for example, for medical imaging, wearable sensors and tracking the spreading of the disease. There are, however, data protection and privacy concerns that will need to be addressed. Experts indicate that there are still many questions to be answered before AI can be fully helpful in fighting a pandemic.

D. Noteworthy commitments: specific requests and follow-up

Inclusive and ethical digital economy: EU leaders underline in their strategic agenda the need for 'development of the service economy and the mainstreaming of digital services'. The Digital Services Act is one of the actions stemming from these discussions. Proposed by Commission President von der Leyen in her political guidelines, it aims to deepen the Digital single market by upgrading the liability and safety rules for digital platforms, services and products. It is mentioned as one of the 'making it happen' actions in the 'New Industrial Strategy for Europe' published by the Commission on 10 March 2020. The proposal for the act itself will be published during the fourth quarter of 2020.

Digitisation of European economy: EU leaders have underlined many times over the past years, also in the strategic agenda, the need to address the digital revolution and to work on all its aspects. The Digital Europe programme, which aims at encouraging uptake of digital technologies and developing EU's strategic digital capacities, is one of the recent concrete steps in this regard. The programme is a part of the multiannual financial framework package for 2021-2027. The Commission initially proposed €9.2 billion in funding for the programme, but in the most recent compromise proposal the budget has been cut significantly, sparking doubts, notably in the European Parliament, on whether the programme could operate efficiently with a lower-than-envisaged budget. The MFF negotiations are still ongoing, and no new MFF summit date has been set to date. As a result of the coronavirus crisis and the necessary actions and funding, the Commission submitted an updated MFF proposal on 27 May 2020.

Access, sharing and the use of data: Data is created both by people and machines, and its generation is expected to grow steeply, especially once the internet of things (IoT) has been mainstreamed. The European Council has in recent years called on several occasions for the free flow of data to be ensured, and in March 2019, they notably underlined that 'special emphasis should be placed on access to, sharing of and use of data, on data security [...]'. Also the strategic agenda 2019-2024 mentions data in the context of artificial intelligence and digital revolution. The political guidelines put forward by Commission President Ursula von der Leyen put strong emphasis on data and big data; the document states, inter alia, that 'we will invest in [...] tools to allow data sharing and data usage' and 'data and AI are the ingredients for innovation that can help us to find solutions to societal challenges, from health to farming, from security to manufacturing'.

On 19 February 2020, the Commission published a European strategy for data. It states that data can empower the EU and can help it make better decisions. The vision outlined in the strategy indicates that data should flow freely in the EU; that the EU rules and values must be respected; and that rules on access to data should be clear and fair. The appendix of the strategy outlines the next concrete steps that will be taken on the data front, such as the European Open Science Cloud and actions for financial data.

A European approach to artificial intelligence: At its meeting in October 2017, the European Council asked the Commission to put forward, by early 2018, a European approach to artificial intelligence. The Communication, which was published in April 2018, has three main aims: i) being ahead of technological developments and encouraging uptake by the public and private sectors, ii) preparing for socio-economic changes brought about by AI, and iii) ensuring an appropriate ethical and legal framework for AI. Based on this, the Commission and Member States published in late 2018 a coordinated plan aimed at 'increasing investment, making more data available, fostering

talent and ensuring trust'. In their strategic agenda 2019-2024, EU Heads of State or Government stressed that the 'EU must work on all aspects of digital revolution and artificial intelligence'; in this context, European Commission President von der Leyen tasked Commissioner Breton to 'work on a coordinated European approach on artificial intelligence'. The new white paper on AI, published on 19 February 2020, is a part of this continuum.

The white paper highlights trust, privacy protection, human-centric approach, European values and the need for quality data to prevent biases. The white paper states that 'an ecosystem of excellence' should be created to help develop AI and increase its uptake. According to the Commission's initial work programme for 2020, the legislative proposals connected with the white paper were to follow by the end of 2020. However, the work programme was updated on 27 May 2020 in response to the coronavirus crisis and the proposals postponed until the first quarter of 2021.

Security of 5G networks: The European Council stated in March 2019 that it looks forward 'to the Commission's recommendation on a concerted approach to the security of 5G networks'. The recommendation was published a few days after the European Council meeting. Since then, the security of 5G networks, and especially the involvement of the Chinese technology giant Huawei in building the networks, has been a widely discussed topic, notably following the move by the USA to block Huawei from its market and to encourage its allies to adopt a similar approach. On 29 January 2020, the Commission published the EU toolbox on 5G cybersecurity, in which it outlined a set of key actions to ensure the security of the networks, such as limiting dependency on a single supplier and assessing the risk profile of supplies. The multivendor approach has been interpreted by Huawei as meaning that it will be able to take part in building the European 5G networks. The Commission called on the Member States to 'take concrete and measurable steps' to implement key toolbox measures by the end of April 2020.

During the coronavirus crisis, disinformation linking 5G technology to the virus outbreak has led to arson attacks against 5G masts in several countries.

E. Challenges ahead and outlook

The world has changed drastically in the first half of 2020. The pandemic has brought large parts of the globe to a standstill, with closed borders, lockdowns, social distancing and people working mainly from home. The importance of the digital environment and remote connections has grown for both work and personal purposes, and in many societies an unprecedented digital leap has taken place. EU leaders have underlined that digital transformation must also play a key role in the road to recovery.

The digital environment is developing at a high speed, with new possibilities and services mushrooming seemingly overnight. With legislative processes often taking years to complete, it is often challenging for institutions and regulators to keep up with the digital innovation cycle. Many tech giants are now calling for the global policy-makers to regulate them. In that context, one of the key questions is how to establish future-proof regulations, which encourage innovation and help citizens to reap the benefits of the new and existing technologies, whilst also, proactively preventing the negative side-effects of the digital boom. It is also vitally important to make sure that the different pieces of legislation touching on the same topics are compatible and work well together.

Financing digitalisation and innovation is also a major challenge for the European Union. The digital Europe programme, which has been put forward as a part of the multiannual financial framework for 2021-2027, aims at developing the EU's strategic digital capacities and encouraging deployment of digital technologies. The intended goals are ambitious, but the budget allocation less so; in the latest MFF negotiation box of 14 February 2020, the amount foreseen for the programme amounts to only €6.8 billion, compared to Commission's initial suggestion of €9.2 billion. The MFF negotiations are currently on hold following an unsuccessful special summit on 20 February 2020.
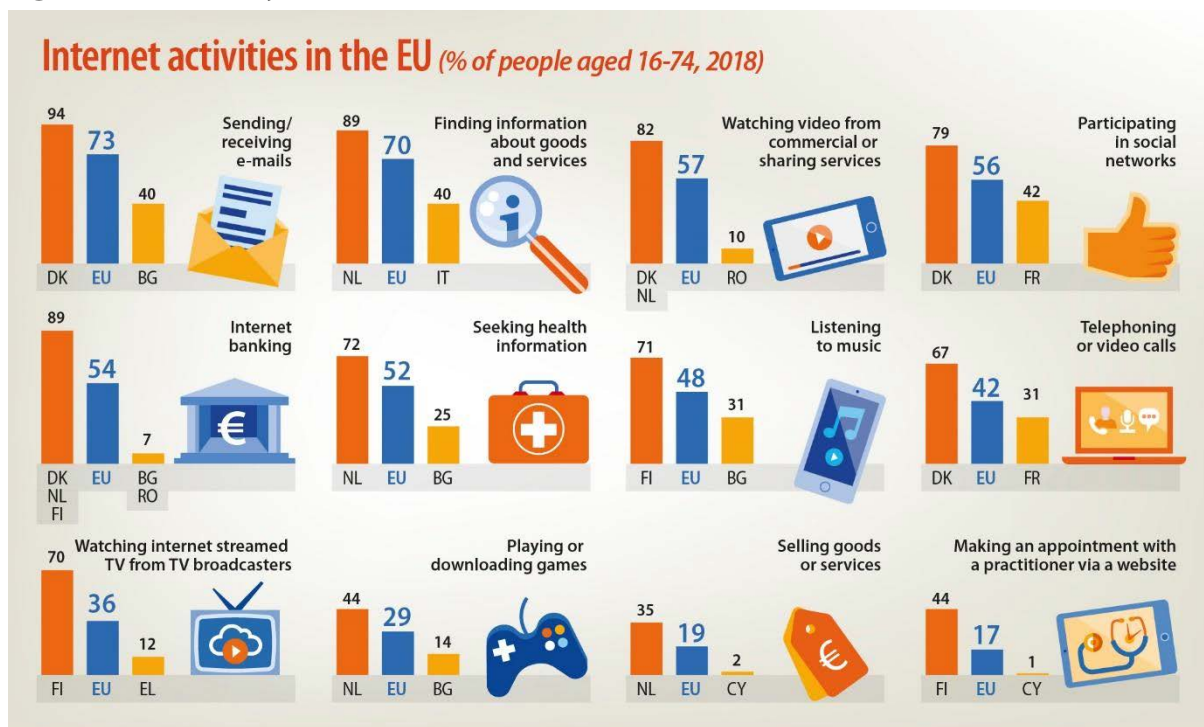
As a result of the unprecedented coronavirus crisis, the Commission also published an updated MFF proposal on 27 May 2020. Moreover, the digital Europe programme is not the only issue; the EU is also suffering from a wider research, development and innovation (RDI) funding challenge. It is likely that the 3 % research and development investment goal set by Europe 2020 strategy will not be achieved by 2020, as the latest figures from Eurostat indicate that only 2.06 % of EU GDP had been invested in research and development in 2017. The lack of RDI funding is a challenge in the global setting, in which competition, especially from USA and China, is particularly fierce.

The USA and China both have strong innovation cultures backed up by global tech giants. A possible challenging scenario derived from this, would be a bipolar world with respect to standards and systems, dominated by these two leaders. Being proactive in the face of the digital revolution, actively supporting innovation and striving for technological sovereignty are vital for the European Union in the digital age. Commissioner Thierry Breton has taken a strong stance on this and assured that 'Europe has everything it needs to lead the technology race'.

Data has been compared to oil – a highly sought-after commodity. However, the World Economic Forum suggests that, as oil resources are diminishing, and data and its use are growing exponentially, the comparison is no longer valid. In just the last two years, 90 % of all the data existing in the world was generated, and the speed of data creation will only increase in the future with, for example, the internet of things. In this context, the use of data and data protection, as well as privacy questions, are clearly of high importance. Europe has already been active in this field by creating, for example, the General Data Protection Regulation (GDPR). But, as technological development is progressing at an unprecedented speed, keeping up to date will be vital. In this context, the European Commission published the European strategy for data in February 2020, aimed at tackling the challenges and making use of the existing and emerging opportunities. Data is also likely to play an important role in ending the lockdown phase after the coronavirus crisis, as it fuels the mobile applications that will be used to monitor and trace infections.

As the European Union grows more digital, and at the same time, the population ages, the digital divide is an important factor to take into account. According to experts, older people are often less confident to use electronic devices and services, and need more help in using them. Another digital divide factor to take into account, in addition to users' age, is the relatively big differences between the EU Member States. Eurostat has found that, for example, in 2018, e-mail use was one of the most common internet activities carried out by EU citizens; but, that while 94 % of Danish people use e-mails, for Bulgaria the figure amounts to only 40 %. These big differences in technology uptake between Member States can be challenging when going forward with the digital transition.

Figure 5 – What do you use the internet for?

Internet activities in the EU *(% of people aged 16-74, 2018)*

Sending/receiving e-mails — DK 94, EU 73, BG 40

Finding information about goods and services — NL 89, EU 70, IT 40

Watching video from commercial or sharing services — DK NL 82, EU 57, RO 10

Participating in social networks — DK 79, EU 56, FR 42

Internet banking — DK NL FI 89, EU 54, BG RO 7

Seeking health information — NL 72, EU 52, BG 25

Listening to music — FI 71, EU 48, BG 31

Telephoning or video calls — DK 67, EU 42, FR 31

Watching internet streamed TV from TV broadcasters — FI 70, EU 36, EL 12

Playing or downloading games — NL 44, EU 29, BG 14

Selling goods or services — NL 35, EU 19, CY 2

Making an appointment with a practitioner via a website — FI 44, EU 17, CY 1

ec.europa.eu/**eurostat**

Source: Eurostat

6. Deepening economic and monetary union

A. Background

Since the beginning of the year, a virus that was totally unexpected by most people has caused the world economy to come to a standstill and locked societies down around the globe. The Covid-19 coronavirus has put the whole European Union in crisis mode and caused exceptional additional costs to Member States. Although joint action at the highest level was not immediate, with a first videoconference meeting of Heads of State or Government to coordinate urgent action to tackle the pandemic on 10 March 2020, the European Council has since been active during the crisis. It has so far met four times to provide a short- and medium-term response to the crisis and to set priorities for the EU's recovery strategy.

According to forecasts, this unprecedented situation might prove even more severe than the financial crisis that shook the European economies and euro area to the core more than a decade ago. Work on strengthening economic and monetary union (EMU) took significant strides forward during and after the financial crisis, and it is worthwhile looking back at lessons learned, as some elements of the current discussions, regarding eurobonds and solidarity for instance, are the same as before.

In the wake of the financial crisis, deepening EMU and making it more resilient to shocks has become a key priority for EU decision-makers. During the height of the crisis, the European Council held several extraordinary meetings to tackle urgent challenges, but after the acute threat subsided, the leaders had more time to reflect on the past developments and on future action needed to build trust in EMU and to try to avoid a similar crisis in the future.

The Four presidents' report in 2012 and the Five presidents' report in 2015 outlined ideas on how to develop EMU after the crisis: they proposed more coordination, common standards and joint decision-making. According to the presidents, the final stage of a 3-stage process suggested in their report, a deep and genuine EMU, should be reached by 2025. Some of their proposals have been realised, such as launching the Capital Markets Union, but others, such as completing the Banking Union or setting up a euro area treasury, are yet to be achieved.

One of the concrete institutional developments following the start of the financial crisis 10 years ago was the creation of the Euro Summit, which gathers Heads of State or Government of Eurozone countries at least biannually to discuss economic policies and their coordination. It was born out of a suggestion by the French President Nicolas Sarkozy in 2008, and was formalised by a Treaty on stability, coordination and governance in 2013. Whilst no Euro Summit meetings were held in the years 2014 and 2016, since 2018 the biannual meetings have been a set fixture. A process with regular meetings resumed after the Commission presented its package on deepening EMU at the end of 2017, and Euro Summit President Donald Tusk actively steered the conversation with a Leaders' note on developing the EMU in 2018. The Euro Summit work is now led by its new President, Charles Michel, who is also President of the European Council.

Another highly visible change established in response to the financial crisis was the creation of the European Semester process, initiated by the European Council in 2010 as a part of a wider reform of the EU economic governance. The objective is to coordinate policies and address challenges head-on to ensure sound public finances and prevent excessive macroeconomic imbalances, whilst boosting investments and structural reforms.

In the new 2019-2024 five-year legislative cycle, both the European Council and the Euro Summit see the deepening of economic and monetary union as an essential endeavour for the European Union. Before the shock of the coronavirus hit Europe and the world with full force, the EU economy

had been growing for seven consecutive years, but the pace of growth had been relatively slow and the biggest challenges to the European economies came from geopolitical and trade tensions.

The economic outlook for 2020 is now dramatically different. As a result of the great lockdown the International Monetary Fund expects the world economy to contract by 3 %, the biggest drop since the Great Depression in the 1930s. The Commission's spring economic forecast shows even bleaker numbers for the EU and the eurozone – minus 7.5 and 7.75 % respectively; figures worse than during the financial crisis. For 2021, both the IMF and the Commission are predicting partial recovery, but it remains to be seen what shape the upturn will take – V, U, W or L: these are the curve shapes with which the economists label recessions. The V shape is considered the best option by experts; a sharp drop followed by an equally sharp rise.

During the crisis, following the first videoconference meeting of the European Council on 10 March 2020 aimed at shaping an urgency response to the Covid-19 crisis and showing solidarity, the Eurogroup met several times to prepare a timely crisis and recovery response in line with the instructions received from the Heads of State or Government. The Commission has also been very active during the crisis and has been tasked with planning recovery measures. In that framework, the European Parliament fears it might be side-lined and has called for a greater role in crisis decision-making.

Completing banking union and the capital markets union, building the fiscal capacity of the Eurozone and strengthening the role of the euro on the global stage were amongst the key objectives that the Heads of State or Government were highlighting before the crisis, and will, most likely, continue to be crucial in the aftermath of the crisis. These aims are clearly emphasised in the European Council's 2019-2024 strategic agenda as well as in the European Commission President's Agenda for Europe, put forward ahead of her election by the European Parliament.

B. Legal basis for European Council action

Article 121(2) of the Treaty on the Functioning of the European Union (TFEU) provides that 'the European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Union'.

The European Council also has an important role in the European Semester process. Early each year, it carries out a horizontal review and 'identifies the main challenges facing the Union and the euro area and gives strategic guidance on policies' (recital 14, Regulation 1175/2011). Furthermore, usually in June, the Heads of State or Government endorse the country-specific recommendations (CSRs). This is done before the Council adopts the CSRs, which happens usually in July.

During the coronavirus crisis, the 'solidarity clause' in Article **122 TFEU** has been used as legal basis for some of the actions taken to tackle the crisis and support the EU economy in the recovery process. Paragraph 2 states that 'where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned'. The European Council is not specifically mentioned in this article.

C. Strategic orientations

The European Council states in its strategic agenda 2019-2024 that: 'We must ensure that the euro works for our citizens and remains resilient, deepening the Economic and Monetary Union in all its dimensions, completing the Banking and Capital Markets Union and strengthening the international role of the euro.'

Fiscal capacity of the eurozone and resilience of EMU

The Hague summit of 1969 was a defining moment for the EMU, as the Heads of State or Government defined Economic and Monetary Union as a new objective for European integration. Officially EMU came into being with the ratification of Maastricht Treaty in 1992. Since then, as a result of progressive integration over the years, EMU, in particular the single currency, the euro, has grown to become the most tangible symbol of European integration. Within the euro area, the coordination of economic and fiscal policies between Member States, an independent monetary policy by the European Central Bank (ECB), and single rules for as well as the supervision of euro area financial institutions were progressively developed.

The resilience of EMU was put to the test in the years of the financial crisis. When some euro countries lost market access during the sovereign debt crisis, there was a real risk of the euro breaking up, which would have had serious consequences on the EU as a whole. Since then, EU leaders have placed special emphasis on the deepening of EMU and enhancing its resilience to risks and shocks. The asymmetric nature of EMU is something that Heads of State or Government are specifically focusing on; this asymmetry refers to the fact that the Maastricht Treaty had federalised monetary policy, but left economic policy within the hands of the Member States.

The Eurozone budget, the Budgetary Instrument for Convergence and Competitiveness (BICC), has been seen by experts as one way of increasing the stability of the Eurozone, especially in times of recession. The Euro Summit mandated the Eurogroup in December 2018 to work on the instrument's 'design, modalities of implementation and timing' based on earlier discussions. Member States have had different views on how to make the euro area more crisis-proof and how to build the instrument to achieve that. Some countries favour the risk-sharing approach with a sizeable common budget; others put emphasis on structural reforms and risk-reduction. The current BICC proposal is based on the risk reduction approach, and it aims at making the euro area more resilient by strengthening competitiveness and economic convergence. EU leaders expected the BICC to come into force together with the next multiannual financial framework (MFF) for 2021-2017. The idea of BICC has now been incorporated into the recovery package proposed by the Commission on 27 May 2020.

The coronavirus crisis has had an unprecedented impact on the euro area, with economic output expected to decrease by 7.75 % in 2020, more than during the financial crisis a decade ago. The shock on EU economies is symmetrical, but the recovery might not be. Economy Commissioner Paolo Gentiloni has stressed that this potential development poses a threat both to the eurozone and to the single market.

The discussions on financial solidarity and on how to fund the crisis and recovery package have not been fluid. One example of this is the Eurogroup video-conference meeting in inclusive format on 7-9 April, which was originally scheduled to last for one day only but had to be prolonged. Finding an agreement between countries that were advocating for different ways to support those countries most in need proved to be more complicated than initially foreseen. The gridlock was caused mainly by differing views on 'corona bonds', which Italy in particular was backing strongly and the Netherlands was vehemently against, as well as on the macroeconomic conditions accompanying European Stability Mechanism (ESM) loans, which some countries, spearheaded by Italy, considered to be too strict. Setting up a temporary Recovery Fund also proved challenging because of differing approaches, leading EU ministers to ask the European Council for guidance. However, considering these differences in views, EU leaders decided to move the issue to the Commission's table and tasked it with analysing the exact needs and producing a proposal as rapidly as possible. The Commission published its proposal on 27 May 2020.

Another challenging factor during the coronavirus crisis has been the German federal constitutional court's critical ruling on the European Central Bank's bond buying programme, which has met with mixed reactions.

Completing the banking union and the capital markets union

The Roadmap towards banking union, published by the European Commission in 2012, aims at ensuring strong and well supervised EU banks to break the 'vicious circle between banks and sovereigns' and to prevent any crisis similar to the one that broke out in 2007 in the future. The Banking Union has three pillars - two of them existing: the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), and one not yet in force: the European Deposit Insurance Scheme (EDIS). In December 2018, the Eurogroup stated that work on a roadmap for EDIS had started with the aim of beginning political negotiations; and a high-level working group (HLWG) was tasked to work on the next steps. In December 2019, the HLWG proposed a roadmap to the Eurogroup, and the Euro Summit tasked the Eurogroup to 'continue work on all elements of the further strengthening of the banking union, on a consensual basis'. The objective of completing EDIS is included in the Commission guidelines, and the task was given to Executive Vice-President Dombrovskis.

In 2015, the Commission adopted an action plan for building capital markets union (CMU). The main aim of CMU is to ease access to funding for businesses, especially SMEs, and thereby, to create growth and jobs in Europe. It also contributes to the stability of the EU financial system, complements the Banking Union, and makes the financial system more resilient towards risks and more competitive on the world stage. The midterm review in 2017, and the yearly progress reports, the latest one published ahead of the European Council meeting in March 2019, state that, even though progress has been made, a number of proposals still remain to be finalised. In its March 2019 conclusions, the European Council underlined that 'further steps should be taken to deepen the Capital Markets Union'; it reiterated the objective of completing the CMU in its strategic agenda. The EU finance ministers discussed capital markets union at their meeting in December 2019, and set out in an annex several measures for the Commission high-level forum on CMU to assess and explore. The high-level forum started its work in November 2019 and was expected to deliver policy recommendations in May 2020, but the final report was only published on 10 June 2020. The Commission work programme for 2020 envisages initiatives aimed at deepening CMU, such as an action plan on capital markets union, to be published during the fourth quarter of 2020.

Strengthening the international role of the euro

The euro, launched on 1 January 1999, is currently the second most important currency in the world after the US dollar. On its 21st anniversary, it is the currency of 19 countries and 340 million EU citizens. In the strategic agenda 2019-2024, EU leaders stress that the euro must work for the citizens and remain resilient, and that its international role should be strengthened. Making the euro stronger in the international sphere would, for example, lower the interest rates paid by European consumers and companies, and guarantee a more reliable access to finance for European businesses and governments. European Central Bank data from June 2019 suggests that, in 2018 and 2019, 'there were tentative signs of a recovery in the international use of the euro', following the previous impact of the financial crisis on its use.

In December 2019, the Euro Summit stated that 'progress in these areas [of deepening EMU, ESM reforms, strengthening the banking union and BICC] will also enhance the international role of the euro, which should be commensurate with the global economic and financial weight of the Union'. Work on strengthening the euro in the international financial setting is of high importance for the Commission: ahead of the December 2018 Euro Summit it published a communication entitled 'Towards a stronger international role of the euro', and, recently, the Commission President stated in her guidelines: 'I want to strengthen the international role of the euro, including its external representation. A strong, integrated and resilient capital market is the best starting point for the

single currency to become more widely used internationally.' Commission President von der Leyen tasked Executive Vice-President Dombrovskis with this responsibility with the aim of making the euro a strategic asset for the Union and making it stronger on the global financial stage. According to his mission letter, 'this will include increasing the global use of the euro for payments, as a reserve currency and for debt issuance'. The Commission work programme states that there will be non-legislative action on strengthening Europe's economic and financial sovereignty in the fourth quarter of 2020.

D. Noteworthy commitments: specific requests and follow-up

Budgetary instrument for convergence and competitiveness (BICC): After the financial crisis, many high-level contributions were submitted, notably the Four presidents' report in 2012 and the Five presidents' report in 2015, suggesting ways of making the euro more crisis-proof. The December 2012 European Council agreed on a 'Roadmap for the completion of EMU' in which mutually agreed contracts for competitiveness and growth, and solidarity mechanisms were mentioned. As a result, the Commission published a communication on the Convergence and Competitiveness Instrument (CCI) in 2013. However, CCI did not gather enough political support, and in the end there was no legislative proposal.

The discussions on the euro area budget have continued over the years, and in December 2018 the Euro Summit asked the Eurogroup to work on the 'design, modalities of implementation and timing of a budgetary instrument for convergence and competitiveness for the euro area'. There have been two camps in the talks – the countries advocating for risk-sharing, and the countries that are in favour of a risk-reduction approach. The countries favouring risk-sharing as a solution have spoken for a sizeable common budget to support investment and economic growth in times of recession; and those opting for risk-reduction would rather strengthen competitiveness and economic convergence between the Member States to reduce the risk of instability in the euro area, and do this without creating a mechanism involving significant financial transfers between countries. When creating the current proposal for a euro area budget, EU leaders have put more emphasis on the risk reduction aspect.

In December 2019, the Euro Summit asked the Eurogroup to find solutions for the financing of the BICC based on the October 2019 term sheet, so that the mechanism can become operational with the multiannual financial framework for 2021-2027. The Eurogroup stated in its February 2020 meeting that the size of the BICC will be decided in the context of the MFF, and that there could be a possible intergovernmental agreement (IGA) for transferring additional voluntary contributions into the BICC if so required. In the context of the current coronavirus crisis, the Eurogroup President, Mário Centeno, stated initially concerning the BICC that there was a strong case to reflect on its potential role and rethink its size. However, the idea of BICC has now been incorporated in the Commission's recovery package, and Mr Centeno has said 'the spirit of BICC as a money for reforms and investment instrument is well embedded in the new tool of the recovery and resilience facility (RRF)'.

Resilience of the banking sector: Before the financial crisis, some European banks had got involved in risky lending and business practices, and as the effects of the US subprime crisis started to move across the Atlantic, rescuing banks caused problems for European governments in the form of rising debt levels. This, in turn, resulted in a sovereign debt crisis. To avoid a similar disastrous situation in the future, EU leaders have been focusing on improving the resilience of the banking sector. Stress tests have been used to analyse how banks would fare in different economic hardship scenarios. Many measures have been put into place – such as the single supervision and the single rulebook. A banking union has been set up since the crisis, with two pillars, the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), already existing, and the European Deposit Insurance Scheme (EDIS), still in preparation. Heads of State or Government have been

calling for the further strengthening of the banking union, as recently as the December 2019 Euro Summit, and the work is ongoing in the Eurogroup on that front.

In response to the coronavirus crisis, several measures have been put in place concerning the banking sector. One of them is the banking package that was put forward by the Commission on 28 April 2020, to facilitate bank lending. The main aim of the package is to help banks provide funding for citizens and companies during the pandemic so as to mitigate the economic impact of the crisis.

European Stability Mechanism reform: As new tasks have been suggested for the ESM, the ESM Treaty and supporting documents need to be revised. These new tasks, including a common backstop for the Single Resolution Fund (SRF), outlined in two documents – term sheet and terms of reference – were endorsed by the Euro Summit in December 2018. The Eurogroup proposed changes to the ESM treaty in June 2019; the Euro Summit took note of this and asked the Eurogroup to continue working on the matter so that a full package could be agreed by in the end of the year. In December 2019, the Eurogroup reported to the Euro Summit that it had 'reached an agreement in principle, subject to the conclusion of national procedure'; the Euro Summit then asked finance ministers of the Eurozone to continue working on the ESM reform and said that they would return to the matter in June 2020 at the latest.

The ESM could play an important role in the coronavirus crisis and recovery effort, even though some countries most hit by the crisis, in particular Italy, have reservations concerning its use. At its meeting on 9 April, the Eurogroup proposed to establish a 'Pandemic Crisis Support [instrument], based on the existing ECCL precautionary credit' of the ESM to provide the euro area Member States with financing for direct and indirect healthcare, cure and prevention-related costs. The European Council endorsed the proposal, and then the Eurogroup, at its meeting on 8 May discussed the features and standardised terms, with a view to making the instrument operational as soon as possible. This credit line has been working since 15 May.

Recovery Fund: The Eurogroup had a conference call to discuss the coronavirus crisis on 4 March and underlined its commitment to providing coordinated responses and appropriate ready to use tools. In its videoconference meeting on 26 March, the European Council tasked the Eurogroup with presenting proposals within two weeks, which the Eurogroup did on 9 April, and, as a part of the 'comprehensive economic policy response', the idea of a recovery fund was presented. The Eurogroup stated that 'such a fund would be temporary, targeted and commensurate with the extraordinary costs of the current crisis and help spread them over time through appropriate financing'. However, EU finance ministers could not agree on the way to finance the fund and asked for guidance from the EU Heads of State or Government. The latter was not able to reach an agreement either, however, and asked the Commission to analyse the different needs and present a proposal. The fund was expected to amount to €1.5 trillion and have a link with EU's 2021-2027 long-term budget (MFF). Commission President Ursula von der Leyen outlined the plans of the Commission during the European Parliament plenary on 13 May. The European Parliament, in a resolution of 15 May called for 'the new 'recovery and transformation fund' to be €2 trillion, to be financed 'through the issuance of long-dated recovery bonds' and to be 'disbursed through loans and, mostly, through grants, direct payments for investment and equity'. Parliament also stated that the new fund should come on top of the MFF and should not affect the 'existing and upcoming' programmes in a negative way. The following week, on 18 May, France and Germany presented a joint initiative for European recovery, in which they proposed to set up an ambitious recovery fund of €500 billion at EU leve,l for solidarity and growth. The Commission's €750 billion proposal, entitled 'Next Generation EU', was published on 27 May and, according to President von der Leyen, 'of that total, €500 billion would be distributed in grants and €250 billion in loans passed on to Member States'.

E. Challenges ahead and outlook

Before the coronavirus crisis hit Europe and the world, economic outlooks (IMF, OECD, Commission, EPRS) forecasted slow growth for Europe and the euro area for the next two years. The greatest economic uncertainty was caused by geopolitical and trade tensions; the shock caused by the world-wide pandemic, which has made GDP figures plummet worldwide, did not feature in the forecasts.

Since the crisis began, the IMF and the Commission have updated their forecasts for 2020, and the outlook is gloomy: the world economy will contract by 3 % in 2020, the biggest drop since the 1930s, and both eurozone and EU GDP will take a deep dive this year with minus 7.75 % and minus 7.5 % respectively. Both forecasts predict a partial recovery for 2021, but this largely depends on how quickly the situation will be able get back to 'normal', notably on whether a vaccine will be available and a second wave of infections will be prevented. In order to facilitate a recovery, President Michel has called on Member States to reopen internal EU borders so as to restart economic activity and revive tourism.

The European Council has been active during the crisis, and, like many actors, has taken a digital leap with its video-meetings. This new form of meetings has enabled EU leaders in a context of lockdown to take joint action to tackle the crisis. Considering the particular nature of the European Council however, and notably the importance of small bilateral meetings on the side-lines in achieving agreements, video meetings are unlikely to replace physical meetings fully when crucial decisions are on the agenda. In such a format, EU leaders tend to be more cautious and keep to their written statements since the confidentiality of discussions is not ensured and participation is broader than in formal physical meetings. Many things were nevertheless achieved in the video meeting, which led notably to the joint European roadmap towards lifting Covid-19 containment measures presented on 15 April by European Council President Michel and Commission President von der Leyen. It was followed on 21 April, by a second step, the roadmap to recovery. Furthermore, since the discussions on the recovery fund and on corona bonds has not been finalised, these issues are likely to feature again at future meetings.

At its December 2019 meeting, the Euro Summit took stock of the progress made in the Eurogroup on deepening the Economic and Monetary Union and the letter it had received from the President of the Eurogroup, Mario Centeno. The letter raises three topics i) ESM reform, ii) strengthening the banking union and EDIS, and iii) the new budgetary instrument for convergence and competitiveness (BICC). The European Council have underlined the importance of finalising the BICC in the context of the multiannual financial framework (MFF) negotiations. When it held its special summit on the MFF on 20 February, the BICC budget share was part of the points for discussion. The idea of BICC has now been included in the recovery package proposed by the Commission on 27 May 2020.

Considering the remaining gap between the views of 'the frugal four' (Austria, Denmark, the Netherlands and Sweden), who want a smaller budget as a consequence of the United Kingdom withdrawal from the EU, and the position of the 'friends of an ambitious Europe' group of Member States (formerly known as the 'friends of cohesion'), who insist on a more ambitious solution and a bigger budget, no agreement could be reached on the MFF at that special meeting. The positions being still quite far apart, finding a common solution to EU funding for the next seven years is likely to take some time. As a result of the coronavirus crisis, an updated version of the MFF proposal was published on 27 May, but it is as yet unclear when an agreement on the long-term budget will be achieved.

Building trust in the euro, especially in the international context, and strengthening its global role are objectives the European Council is looking at with great interest. Achieving these goals would give the EU a stronger standing in the global setting as well as more 'financial autonomy' and, for

example, ease access to funding for European governments and companies. A recent [World Economic Forum](#) annual meeting session debated whether the euro or the Chinese renminbi could challenge the dominance of the dollar, and concluded that that such a scenario was not yet in sight. However, as requested by the European Council, [a number of initiatives](#) can be taken – some of them already in the pipeline – to improve the euro's [international standing](#) – its use as reserve and investment currency, international exchange markets, debt and loan markets, key sectors and as invoicing currency.

7. Fair competition within the EU and globally

A. Background

Increasing competition from major economic players, global trade tensions and growing protectionist trends have given new impetus to the move towards a more integrated and assertive economic, competition and trade policy for the EU. The recently adopted industrial strategy highlights, in particular, the impact of the twin ecological and digital transitions on society and the importance of ensuring that competition rules remain fit for purpose. EU leaders have underlined the essential role of industry as a major driver for growth, employment and innovation in Europe and have called for a mainstreaming of industrial competitiveness across all EU policy areas. The strategic agenda for the period 2019-2024 calls for ensuring fair competition within the EU and globally, promoting market access, mitigating external risks and securing Europe's strategic supply chains.

However, the coronavirus pandemic has affected the EU economy as a whole, at all levels, businesses, jobs and households alike. In this context, public support has been essential in ensuring the availability of sufficient liquidity to preserve the continuity of economic activities. The Commission has acknowledged the urgent need for support and has recognised that aid could be used to compensate for damage caused by exceptional events, e.g. a pandemic, in accordance with Article 107 (TFEU). The temporary State aid framework, adopted in March 2020, has allowed flexible enforcement of EU State aid rules, therefore broadening the possibilities for public support at national level. Alongside the measures that Member States have already taken, on this basis, including grants, tax advantages, and subsidised public loans, Member States can also allow for the recapitalisation of companies facing economic difficulties, however, subject to safeguards. The European Council has supported the Commission's adaptation of EU State aid rules and stressed that the Member States need the 'flexibility to do everything that is necessary'.

B. Legal basis for European Council action

- Article 15 of the Treaty on the European Union (TEU): The European Council shall provide the Union with the necessary impetus for its development and shall define the general political directions and priorities thereof [...].
- Protocol No 27 on the internal market and competition where it is made clear that fair competition is included in the objective of the internal market in Article 3(3) TFEU;
- Articles 101-109 of the Treaty on the Functioning of the European Union (TFEU).
- Articles 37, 106 and 345 (TFEU) for public undertakings and Articles 14, 59, 93, 106, 107, 108 and 114 (TFEU) for public services, services of general interest and services of general economic interest;
- Merger Regulation (Regulation (EC) No 139/2004).

C. Strategic orientations

The March 2019 European Council laid down a number of strategic guidelines that have been reiterated and reinforced in the strategic agenda for 2019-2024. A strong economic base is considered of key importance for Europe's competitiveness, prosperity and role on the global stage as well as for the creation of jobs. This requires an integrated approach connecting all relevant policies and dimensions, including a deepening of the Economic and Monetary Union and of the single market, an assertive industrial policy, a forward-looking digital policy, a robust trade policy and an updated competition framework to keep step with technological and global market developments.

D. Noteworthy commitments: specific requests and follow-up

Ensuring a level playing field: updating the EU competition framework

In December 2018, following the 6th ministerial conference of Friends of Industry, 18 EU Member States acknowledged the need to adapt European industry to a changing global environment. They called for a competition policy able to foster the emergence of strategic value chains and urged for a revision of State aid rules allowing European players of international scale to emerge. Following the decision of the Commission, in early 2019, to prohibit the merger of French and German rail businesses, Alstom and Siemens, some concerns surfaced as to the merger assessment and the Commission's considerations, particularly taking into account ever-rising global competition (in this case, China). In February 2019, France and Germany, signatories to the Friends of Industry statement, called for the development of a genuine European industrial policy, along the same lines, emphasising the need for an updated competition framework to ensure the EU's competitiveness on the global market.

The Franco-German manifesto called for an examination of rules on merger control and State aid for companies, and a right of appeal of the Council on competition policy decisions. They were later joined by Poland in calling for modernised rules in merger control, to take account of global competition, including by examining the trade and industrial policies of competitors, the level of state intervention (e.g. subsidies) and more flexibility in determining the relevant market.

Some of these proposals subsequently fed into discussions at the March 2019 European Council, at which EU leaders called for a long-term vision for the EU's industrial future and for updated competition rules. As already proposed in a previous joint communication,[7] the Commission was invited to assess existing EU legislation and explore how to address the distortive impact of foreign state ownership and State aid financing in the internal market. While trade defence instruments address subsidies that affect prices of imported products, they do not cover all the potential effects of unfair subsidies or support by third countries, in the case of acquisitions or mergers.

In this respect, the Commission has welcomed the proposal by the Dutch government in a 'Non-paper on strengthening the level playing field in the internal market', published in December 2019. It favours an approach whereby any company, whether EU or non-EU, if liable to distort competition, would be subject to an investigation of its procedures (e.g. transparency in accounting) with a possibility to prohibit certain market behaviours if deemed abusive. The Commission is currently working on an instrument to tackle foreign subsidies, and a white paper is to be published in June 2020. This initiative is even more relevant today considering the negative impact of the health crisis on the economy, which will likely weaken many EU companies and make them vulnerable to acquisitions by foreign, subsidised competitors.

Regarding the overall competition policy framework, following the 2012 reform of EU state rules, more than 97 % of all State aid measures are implemented by Member States without prior approval by the Commission. In January 2019, the Commission announced it would evaluate the EU State aid rules (also those adopted as part of its 2012 reform) to determine whether they continue to be fit for purpose ('fitness checks'). A review of competition rules applicable to horizontal cooperation agreements[8] and to vertical agreements is also underway.

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[7] European Commission and HR/VP contribution to the European Council, EU-China – A strategic outlook, 12 March 2019.

[8] Horizontal agreements refer to agreements between companies operating at the same level in the market whereas vertical agreements refer to agreements between companies operating at different levels, such as producer and distributor.

The emergence of the digital economy, and in particular, digital platforms, with inherent characteristics e.g. absence of borders, multiple services in one 'ecosystem', data protection concerns, has changed the nature of markets. Consequently, a growing number of voices have called for an assessment of current legislation to take account of the new digital business models. Accordingly, in December 2019, EU Commissioner for competition Margrethe Vestager announced that the Commission would review the way in which markets are defined in antitrust and merger cases and revise the Notice on market definition dating from 1997.

On 4 February 2020, in a letter to Commissioner Vestager, the ministers of the economy of France, Germany, Italy and Poland reiterated their concerns and urged for concrete proposals, in particular on the revision of guidelines on assessment of horizontal mergers and the definition of the relevant market. They called for more scrutiny of digital platforms and, if relevant, for a specific regulatory framework to avoid such companies distorting competition. In addition, they urged for the adoption of interim measures to address uncompetitive behaviour in the event of lengthy investigations. Since reinforcing the role of the Advisory Committee[9] in merger control could allow for broader competition policy discussions, this point was once again emphasised in the letter. Following the unveiling of a package of measures on the future European digital strategy on 19 February 2020, the Commission indicated that the evaluation and review of EU competition rules would be taking place until 2023.

Ensuring a level playing field: Strengthening policy instruments to address unfair trade practices

In light of an increasingly protectionist trading environment, improving access to third countries' markets will continue to play an important role in maintaining Europe's competitiveness. Protecting the EU's industry from unfair trade practices has become especially important at a time when certain partners are not playing by the same rules. Modernisation of trade defence instruments (TDI) and enhanced oversight over foreign direct investment across the EU have thus featured high on the leaders' agenda in recent years.

Legislation on TDI, aimed at protecting EU companies from dumped or subsidised imports, was revised in 2018, and now allows for the imposition of higher anti-dumping and anti-subsidy duties. In addition, enhanced cooperation between Member States and the Commission, will allow for a careful assessment of situations where certain foreign direct investments may present a risk in terms of security or public order. On 26 March 2020, the Commission issued additional guidance urging Member States to make full use of their investment screening mechanisms to address cases where the acquisition of European companies by non-EU investors would present a risk, in particular in healthcare (e.g. production of medical or protective equipment) or related industries such as research establishments (e.g. developing vaccines).

Regarding market access, following the request made at the March 2019 European Council, co-legislators have resumed discussions on an international procurement instrument. The aim is to increase the EU's leverage when negotiating access to procurement markets in third countries. The instrument would allow the Commission to open an investigation, and if any alleged discrimination against EU companies were to be proven, it would lead to consultations with the third country concerned, and ultimately, price penalties could be applied to the tenders originating there. Progress on this file has slowed down however in the context of the public health crisis. This results not only from the limited meeting possibilities, but also from existing political sensitivities regarding

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[9] Article 23 of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings: 'The Commission shall be assisted by an Advisory Committee, composed of representatives of the Member States. [...] The Advisory Committee shall deliver an opinion on the draft implementing provisions, if necessary by taking a vote. The Commission shall take the utmost account of the opinion delivered by the Committee'.

the file. However, the white paper on tackling foreign subsidies is also expected to address the issue of access of foreign, state-owned companies to procurement markets and EU funding.

In December 2019, the Commission proposed the creation of a new high-level post, a Chief Trade Enforcement Officer, whose role would be to improve compliance and enforcement of the EU's trade agreements. According to EU Trade Commissioner Phil Hogan, the new position would 'ensure a more coherent and coordinated approach as well as streamlined procedures to deal with problems linked to the implementation of our agreements – be it on market access or on sustainable development commitments'.

Ensuring a level playing field: Reforming the World Trade Organization

The World Trade Organization (WTO) has been under significant pressure in recent years due to the US blockage of nominations of members to the WTO Appellate Body, second and highest instance of WTO dispute settlement system. Since December 2019, the Appellate Body has only one member left and can no longer accept any new appeals. Underlying issues behind the current challenges faced by the WTO include: i) the difficulty of reconciling different economic models, notably the liberal market economies such as the USA with the state-led economic model of China; ii) the lack of a definition of what constitutes a developing country, which under the WTO rules, enables countries to claim special and differential treatment. Questions have thus been raised as to whether the WTO rules are still fit to address today's economic realities, e.g. digital trade, and whether they still allow its members to effectively counter unfair trade practices. The June 2018 European Council addressed this issue and invited the Commission to work together with like-minded partners towards a reform of the institution in its three areas: rule-making, dispute settlement and monitoring.

On 24 January 2020, the EU and 16 WTO members [10] agreed to develop a multi-party interim appeal arrangement, based on Article 25 of the WTO Dispute Settlement Understanding, which allows for the use of arbitration as an 'alternative means of dispute settlement'. The agreement became effective on 30 April 2020. In the absence of a functional WTO Appellate Body, the Commission also announced in December 2019 amendments to the EU Enforcement Regulation, to ensure that the EU is able to enforce international trade rules in circumstances where the WTO is no longer able to deliver binding dispute-settlement decisions. The Council adopted its position on 8 April 2020, supporting the Commission's proposals to impose sanctions such as customs duties, quantitative restrictions on imports or exports of goods, and measures in the area of public procurement, in situations not covered previously by the regulation. In this way, the Commission is able to retaliate fairly if a trade partner imposes WTO-incompatible trade measures while blocking the WTO dispute settlement process.

In light of the ongoing WTO reform, trilateral talks bringing the EU, Japan and the US together have also been taking place, this in parallel with initiatives to address trade distorting practices of non-market economies, such as subsidies and State aid. In this respect, on 14 January 2020, the three agreed that the current list of subsidies prohibited under the WTO rules is insufficient and proposed to add new types of subsidies to the WTO Agreement on Subsidies and Countervailing Measures. In addition, they underlined the need to clarify the concept of 'public body' [11] as defined under current WTO rules since its current definition undermines the effectiveness of subsidy rules.

The Covid-19 virus outbreak has led to the postponement of the June 2020 WTO Ministerial Conference by one year. This has resulted in a slowdown in the work of WTO committees, inevitably

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[10] Australia, Brazil, Canada, China, Chile, Colombia, Costa Rica, Guatemala, Republic of Korea, Mexico, New Zealand, Norway, Panama, Singapore, Switzerland, and Uruguay.

[11] Under the WTO Agreement on Subsidies and Countervailing Measures, the existence of a subsidy is contingent on whether it is given 'by a government or any public body within the territory of a Member'.

delaying many of the ongoing negotiations, such as on fisheries and e-commerce. More worrisome, the health crisis has led countries to impose export restrictions or prohibitions on essential goods, such as medical equipment or food (grains). WTO reports indicate that to date 80 countries have taken measures of this kind, with the immediate consequence of endangering the supply of vital supplies to those most in need. The Commission has been monitoring Member States' measures and has worked towards removing barriers since the beginning of the crisis. More recently, certain countries have called for a removal of tariffs on medical products, especially those related to infectious diseases, and the EU has temporarily waived tariffs on medical equipment. Following discussions with trade ministers on 16 April 2020, EU Commissioner Hogan stated that the EU was ready to engage in a plurilateral negotiations with willing countries, on permanent liberalisation of tariffs on medical equipment.

Ensuring a level playing field: fair and effective taxation

Profits made by digital companies are often not taxed where they are generated because, presently, tax liability is based on 'permanent establishment', namely, the place where business activities are physically carried out. Following an increasing criticism regarding the taxation of large digital companies, the European Council recognised the need to adapt taxation systems and ensure that all companies pay their fair share of taxes. EU leaders have endorsed Commission proposals in this area, as well as supporting discussions on the reform of international tax rules at the OECD level. In 2018, the European Commission put forward two proposals for fair and effective taxation of the digital economy: a short-term solution, to be delivered by an interim digital services tax on revenues from certain digital services, and a permanent reform of the corporate tax rules, based on the concept of 'significant digital presence'. However, the Council gave preference to work towards reaching a global solution at OECD level until end of 2020 and postponed the work on these proposals. In the meantime, several Member States, such as France and Italy introduced national taxation measures, modelled largely on the Commission proposal on the digital services tax.

The OECD has been pursuing work under two pillars: (i) the re-allocation of some taxing rights to market jurisdictions, regardless of physical presence, and, (ii) the mitigation of risks stemming from the practices of profit-shifting to jurisdictions where they can be subjected to no or very low taxation. Under pillar one, potential solutions are being examined by the Council to determine where tax should be paid and what portion of profits should be taxed; under pillar two, a system will be designed to ensure that multinational enterprises pay a minimum level of tax. A broad outline of a unified approach on pillar one has been agreed as the basis for further negotiations at the end of January 2020, followed by the endorsement by the G20 finance ministers on 23 February 2020. Work under the second pillar has also advanced following public consultations and the matter is now being discussed at the level of co-ordinated working parties. Commissioner Vestager, in her role as Executive Vice-President for a Europe fit for the Digital Age has been asked to coordinate the work towards reaching a consensus at international level; however, should no agreement be found by the end of 2020, the Commission would propose a European tax.

E. Challenges ahead and outlook

While the measures adopted by Member States under the temporary State aid framework are temporary in nature and compatible with Article 107 (TFEU), concerns have been expressed regarding the difference in Member States' capacities to make use of State aid and possible distortion of competition in the long term, especially regarding company recapitalisations. The European Council has welcomed the flexibility of the State aid regime and stressed that 'Europe could also support efforts to prevent insolvency of viable businesses across the EU'. EU leaders also acknowledged at their videoconference last April that 'not all have suffered in the same way, not all have the same leverages to use and not all regions will be able to restart their economies quickly'. Most recently, the Commission has committed to set up a new solvency support instrument to

mobilise private resources to provide support for companies affected, to be operational already this year.

Regulation of the digital economy remains a top priority on the EU agenda, with a focus on the rules that govern the access, use and storage of data. This is especially relevant given the market power of large digital platforms, where a small number of players accumulate large amounts of data, gathering important insights and competitive advantages from the data they hold. In this context, a number of proposals have already been issued, including a European data strategy, a white paper on artificial intelligence and a digital services act. The Commission has recently indicated it will be presenting legislative action on data sharing and governance to be followed by a data act, to establish the conditions for better access and control of industrial data.

Regarding merger control, the Commission would examine the possible effects on competition of large-scale data accumulation through acquisitions and the utility of data-access or data-sharing remedies. With respect to State aid, the Commission would also look into the relationship between public support to undertakings (e.g. for digital transformation) and the reduction of competition distortions through data-sharing requirements for beneficiaries. The ongoing evaluation and review of EU competition rules is expected to take place until 2023, and revised State aid rules should be in place by 2021 in a number of priority areas, including energy and environmental aid.

In addition, enforcement by national competition authorities will likely need to be further reinforced to address potential uncompetitive behaviour in the digital economy, for instance 'killer acquisitions', where potential competitors with innovative products are acquired by established firms. The Commission has thus indicated its intention to launch a sector inquiry with a focus on emerging markets (e.g. digital platforms) with ex-ante regulatory responses being considered to protect the interests of smaller players.

Regarding the OECD reform of tax rules, a virtual stocktaking meeting will probably take place in July 2020; an agreement on the broad lines of the reform has however been postponed until October 2020. Discussions under Pillar II, on minimum corporate taxation, could potentially progress faster owing to the increasing pressure placed on public finances as a result of the public health crisis. A proliferation of digital services taxes cannot be excluded should an agreement on digital taxation not be reached by the end of the year.

The Commission aims to undertake a trade policy review before the end of the year as well as launching a broad initiative on the reform of the WTO. Moreover, as stated by EU Trade Commissioner Phil Hogan, WTO initiatives to facilitate trade, including 'elimination of tariffs, in medical, pharmaceutical and other health-related products' could be considered at this time. The European Parliament has asked for a 'global catalogue of essential emergency healthcare products' to be agreed among WTO members ahead of the next ministerial conference and for the scope of the WTO Pharmaceutical Tariff Elimination Agreement to be enlarged.

8. Moving towards a carbon neutral continent by 2050

A. Background

The European Council adopted new guidelines on climate action at its December 2019 meeting, with all EU Member States but one, Poland, endorsing the 'objective of achieving a climate-neutral EU by 2050'. There is consensus among the EU institutions – European Parliament, European Council and European Commission - that climate change represents a threat and that climate action is a key priority for the EU for the years to come.

The European Council, in its 2019-2024 strategic agenda, recognised that the EU must engage 'in an in-depth transformation of its own economy and society to achieve climate neutrality'. Similarly, the European Commission recognised the importance of streamlining climate action across the entire spectrum of EU policies. The European Green Deal announced by European Commission President Ursula von der Leyen when presenting her agenda for Europe is the dedicated instrument for this purpose. Several new initiatives have been put forward under the European Green Deal, some of which are already in motion. This is for example the case with the proposal for a European Green Law, which will create a legally binding framework allowing undertaking the necessary steps to meet the objective of achieving climate-neutrality by 2050.

In a recent resolution on the European Green Deal, the European Parliament stressed that 'a legally binding EU commitment to climate neutrality by 2050 at the latest will be a powerful tool to mobilise the necessary societal, political, economic and technological forces transition'. Parliament stressed that Member States will have a key role to play in this transition process and that the level of ambition corresponding to both 2030 and 2050 targets should be raised further.

EU leaders have addressed climate and energy regularly at their meetings in recent years. Climate change has usually been a topic for the October European Council, allowing EU leaders to focus on the preparation of the annual United Nations Conference of Parties (COP). This pattern changed in 2019, when EU leaders addressed climate change at each of their four regular meetings. Such sustained monitoring allowed them to take stock of progress made in implementing climate targets set by the European Council for the period 2014-2020, to set new objectives, as well as to consider progress made in fulfilling commitments undertaken under the Paris Agreement on Climate Change (hereinafter, the Paris Agreement). EU leaders reaffirmed on several occasions the Union's ambition to take a leading role in the implementation of the Paris Agreement and in the fight against climate change, through, inter alia, sustained EU climate diplomacy action. These elements are also prominent in the strategic agenda 2019-2024 where more attention is given to climate issues in comparison to energy security, an area more in the spotlight in the previous strategic agenda 2014-2019.

The roadmap for recovery – presented jointly by European Council President Charles Michel and Commission President Ursula von der Leyen at the request of the European Council following the coronavirus outbreak – confirmed the European Green Deal's centrality to the EU's medium to long-term action. It was considered to be 'essential as an inclusive and sustainable growth strategy'. Funding would come from a newly established recovery fund, expected to be set up as a temporary mechanism linked to the upcoming MFF, once the various Member States' sensitivities had been overcome. France and Germany have expressed their support for the recovery fund, indicating that it could amount to €500 billion and that it would make it possible to 'increase investments in the digital and the green transitions'. They have also indicated their support to more ambitious 2030 EU emission reduction targets and stressed that the review of State aid rules should take into consideration climate policy requirements.

As a result of the outbreak, the European Commission updated its original work programme for 2020; maintaining or delaying various Green Deal related initiatives. There is also indication that legislative work linked to the European Green Deal could take place at a slower than initially envisaged path. Academics have argued that the EU needs to address the coronavirus crisis and the long-term ongoing climate crisis simultaneously. They have warned that prioritisation of the former at the expense of the latter would have long-term consequences for both the EU and the Member States.

B. Legal basis for European Council action

➤ **Article 15(1) of the Treaty on the European Union (TEU)**: The European Council defines 'the general political directions and priorities' of the EU, including for climate and energy. The Lisbon Treaty expressly introduced an interdiction for the European Council to 'exercise legislative functions'.

➤ **Article 15(4)TEU**: European Council decisions on climate and energy are taken by consensus whilst Council decisions are taken by qualified majority voting (QMV) (Articles 191 and 194 TFEU).

➤ **Article 121 of the Treaty on the Functioning of the EU (TFEU)**: The European Council, following a report from the Council based on a recommendation from the Commission, shall 'discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Union'. This provision applies to the energy market, the completion of which is a perennial European Council priority.

C. Strategic orientations

The European Council's strategic agenda 2019-2024 and the programme presented by the European Commission President, Ursula von der Leyen, placed climate action among the top priorities of the next five years. The European Green Deal presented in December 2019 focuses on both climate and environment protection challenges. Work will most likely focus on the following priority areas: 1) achieving climate neutrality by 2050; 2) developing the energy union to allow for sustainable, affordable and secure energy; 3) becoming a world leader in circular economy and 4) preserving Europe's natural environment. The roadmap for recovery – the medium to long-term recovery strategy adopted in response to the coronavirus outbreak – confirms the EU's commitment to invest, as a matter of priority, in green transition and digital transformation.

D. Noteworthy commitments: specific requests and follow-up

Implementation of the Paris Agreement

The Paris Agreement establishes a new global climate regime from 2020 onwards. It commits signatories to limit global warming to well below 2 degrees Celsius, aspiring to keep it to 1.5 degrees above pre-industrial levels. It thus endeavours to stem climate change as a global threat to security and, for that purpose, encourages all parties 'to put forward their best efforts through 'nationally determined contributions' (NDCs) and to strengthen these efforts in the years ahead'. Participating countries report regularly on their emissions and implementation progress, whilst collective progress, on a global scale, will be evaluated every five years. The European Council set the implementation of the Paris Agreement as one of its main climate and energy priorities. This requires both domestic EU and international action. The two dimensions have been intertwined in the European Council conclusions for the past few years.

With respect to the EU domestic dimension, based on the European Council guidelines, the European Commission has put forward several packages of climate and energy legislation. Most of them have been adopted by the co-legislators during the 2014-2019 legislature and are currently

implemented (for example, the directive 'on the promotion of the use of energy from renewable sources'). Several new initiatives put forward by the European Commission President von der Leyen have been or are about to be developed. This includes the recently presented proposals for regulations establishing a Just Transition Fund and a European Climate Law, as well as the new 'Farm to Fork Strategy'.

As far as the external dimension is concerned, the European Council called for 'strong coordinated action through active European climate diplomacy ahead of the COP21 in Paris'. The principle of active European diplomacy on climate has been pursued constantly ever since, with the Foreign Affairs Council (FAC) adopting successive sets of conclusions. In its February 2016 conclusions, the Foreign Affairs Council agreed on the main lines that the EU was to pursue in its efforts to counter climate change; it was to do so in close cooperation with international partners in a multilateral framework, including through development cooperation mechanisms and regular diplomatic dialogue. In 2018, EU climate diplomacy action efforts focused on the Talanoa Dialogue conducted under the auspices of the UN in preparation for the COP24 in Katowice in December 2018. In Katowice, a 'rulebook' on implementing the Paris Agreement was finally agreed, which the European Council acknowledged in its December 2018 conclusions. It has also committed to provide further guidelines on 'the overall direction and political priorities' for the EU's climate action in 2019. More recently, in December 2019, the European Council has called on the High Representative and the Commission to continue to privilege climate diplomacy as a tool allowing the Union to play a leading role worldwide in the fight against climate change.

Energy security

As early as 2011, the European Council identified security in energy supply as a key element for the EU's overall security, and stressed the importance of coherent EU external action in the field of energy. It also called for increasing transparency towards the EU institutions and other Member States when one country is negotiating a cooperation agreement in the field of energy on a bilateral basis with third countries. In 2013, EU leaders recognised the importance of diversifying energy sources, including types and suppliers, in order to reduce external dependency risks.

The emergence of the crisis in Ukraine in 2014 led the European Council to consider energy security at several of its meetings that year. It reiterated its previous calls for 'energy dependency reduction', stressed the importance of maintaining affordable energy prices, and mandated the European Commission to explore means to address the energy dependency challenge. In response, in 2014 the European Commission presented the European energy security strategy and, more recently, in 2016, the 2030 framework for climate and energy and the energy package.

The formulation and implementation of energy policy remains in the hands of EU Member States. Diverging views persist on the way forward in the diversification of energy supply sources. Speaking in the context of the future of Europe debate, several Heads of State or Government have outlined the importance of reducing energy dependence by increasing the share of domestic renewable energy and other types of energies with a low carbon footprint. Polish Prime Minister Mateusz Morawiecki has openly challenged the Nord Stream 2 project, pointing at the high risk of increasing dependency on Russia. His colleague, Andrej Plenković, Prime Minister of Croatia, has stressed the strategic importance of energy supply diversification, including through liquefied natural gas (LNG) terminals such as the one Croatia is currently building on the island of Krk.

Experts consider liquefied natural gas (LNG), also envisaged by the European Council in its March 2014 conclusions, as a means to diversify supply sources and mitigate existing dependency risks. Forecast analyses for the period beyond 2020 show that the US and Australia will become the main LNG exporters. LNG currently comes at a higher cost than natural gas supplied through pipelines.

EU Member States individually and collectively are net importers of energy products. The products they import most are crude oil (70 %) and natural gas (20 %). In both cases, Russia remains the main

external partner with a share of 40.6 % of total external imports of natural gas and 28 % of total external imports of crude oil (figures for the first semester of 2018). It is followed by Norway as the second main supplier, with 38.8 % of natural gas imports and 11 % of crude oil.

E. Challenges ahead and outlook

Climate change, a top priority for the 2019-2024 strategic agenda, is likely to remain an important issue on the European Council agenda in the years to come. Some Member States have explicitly called for a more ambitious approach to fighting climate change. In order to effectively pursue 'the objective of achieving a climate-neutral EU by 2050', the EU needs to allocate sufficient financial means. In this light, the funding of the European Green Deal, in particular the Just Transition Mechanism, is a key element of the ongoing MFF negotiations. When addressing the European Council, the European Parliament President, David Sassoli, was particularly resolute in stressing the importance of allocating the necessary financial means in the upcoming 2021-2024 MFF to meet the priorities announced by the European Commission, including its European Green Deal.

Climate change and energy security represent two major security threats the EU will need to assess and face in a boarder context of threats with which it will be confronted with in the coming years. A fine balance between climate diplomacy action and energy security preservation will have to be articulated in an increasingly volatile geopolitical environment, where the EU will have to preserve its strategic transatlantic partnership and face an increasingly assertive Russia.

9. Upholding EU interests and values in the world

A. Background

The security landscape has progressively deteriorated in the EU's neighbourhood in the past half-decade, both in the south and to the east. This has led the European Council to devote much of its attention to monitoring the crises in Libya, Syria and Ukraine. In parallel, the European Council has continued to deal with 'pressing international issues'. Discussions have covered, among other things, Turkey's drilling activities in the Mediterranean and its unilateral military actions in North East Syria, the Middle East peace process, as well as the fragile situation in the Western Balkans.

The Heads of State or Government have also considered Russia's growing assertiveness, including its role in the Ukrainian and Syrian crises as well as its disinformation activities. They have discussed the downing of flight MH17 and have called repeatedly for a transparent investigation.

Transatlantic relations have attracted even more of the European Council's attention since the Trump administration came to power in 2017. The progressive rejection of multilateralism has led the US to denounce the Paris Climate Agreement, to gradually disengage from the United Nations (UN), including its Human Rights Council, and to unilaterally denounce the Iran Nuclear Agreement. As indicated in the EU global strategy, multilateralism remains the pillar of EU foreign policy action. In this context, the European Council has regularly affirmed the EU's support for multilateralism and confirmed the Unions' commitment to an international trade policy, fully supportive of WTO rules (see Chapter 8), and to the full implementation of the Paris Climate Agreement (see Chapter 12).

More recently, in March 2019, EU leaders held a debate on 'overall relations' with China. On this occasion, the European Commission issued a paper presenting its vision for relations with China. It identified 10 priority actions linked to a broad range of domains, including climate change, connectivity, trade and industrial policy, and thereby called for the 'full unity' of the Member States.

The EU will continue to face a volatile international situation in the years to come, accentuated by the coronavirus pandemic, which has brought new risk factors. This will most probably bring EU leaders to continue to consider external relations issues regularly at their meetings, including bilateral and multilateral cooperation aspects. The 2019-2024 strategic agenda anticipates this development by identifying foreign affairs among the priority areas for action in the years to come.

B. Legal basis for European Council action

Foreign affairs remain the embodiment of the intergovernmental method in the EU. Decisions pertaining to foreign and security policy are taken unanimously within the European Council. A few Treaty-based exceptions, such as the appointment of the High Representative of the Union for Foreign and Security Policy (hereinafter, the High Representative), allow for the use of qualified majority voting (QMV). Based on Article 31 TEU, the European Council can also decide by unanimity to extend the list of foreign policy items to which QMV applies, with the exception of decisions having military and defence implications, where Treaty change is required.

General orientations for foreign and security policy

- **Articles 15, 16(6), 22, 24 of the Treaty on European Union (TEU)**: the European Council identifies 'the Union's strategic interests' and 'objectives' and sets out strategic orientations for the EU, including for matters of foreign, security and defence policy.
- **Article 24(1) TEU:** the EU's common foreign and security policy (CFSP), of which defence is an integral part, is 'defined and implemented by the European Council and the Council'.

European Council preparation and decision-making

- **Article 16(6) TEU:** the Foreign Affairs Council, in cooperation with the President of the European Council, prepares and ensures the follow-up of the European Council foreign, security and defence policy meetings.
- **Articles 15 TEU:** the European Council President 'ensures the external representation of the Union' in a way that does not hamper the action of the High Representative.
- **Articles 18, 22, 24, 31 TEU:** unanimity is required in the European Council for foreign and security policy decisions, unless qualified majority applies (for example, when appointing the High Representative). Under Article 31(3), the European Council can, by unanimity, extend qualified majority voting to more foreign policy areas than those identified in Article 31(2) TEU. In his 'state of the Union' address of September 2018, former European Commission President, Jean-Claude Juncker, called for the use of this treaty mechanism and for the extension of QMV to cover more foreign policy areas, including civilian CSDP operations.
- **Article 26 TEU:** the President 'shall convene an extraordinary meeting of the European Council' with the objective of defining 'strategic lines' should the international situation so require. On several occasions, extraordinary meetings have been convened to discuss foreign policy matters (for example, Ukraine in 2014), while defence has been considered only at regular European Council meetings.

C. Strategic orientations

The European Council's strategic agenda 2019-2024 identifies the promotion of European interests and values in the world as one of the main priorities for the years ahead. There is an increase of 7 % in attention paid to foreign and security policy in the strategic agenda 2019-2024 in comparison to the 2014-2019 agenda. This can be explained by the rise of international volatility as well as by the growing awareness amongst EU leaders that 'the EU needs to pursue a strategic course of action and increase its capacity to act autonomously to safeguard its interests'. In this context, EU leaders decided that, in the next years, priority will continue to be given to four strategic orientations: 1) promotion of EU strategic interests; 2) a European perspective for those 'European States able and willing to join' the EU; 3) an ambitious neighbourhood policy; and 4) engagement with partners. Work on these orientations has been ongoing since 2016 as part of the implementation of the EU global strategy.

- **Promotion of EU strategic interests:** EU leaders put strong emphasis on the need for unity and coordination, two prerequisites for a 'more assertive and effective' foreign and security policy. To protect economic, political and security interests, the EU needs to overcome the silo approach, leverage all policies and address internal and external challenges in a coordinated manner. In this context, priority would be given to countering disinformation, supporting sustainable development, supporting a robust trade policy as well as to boosting an active EU climate diplomacy.
- **European perspective for those 'able and willing to join' the EU:** On 5 February 2020, the European Commission published a communication on 'Enhancing the accession process – A credible EU perspective for the Western Balkans.' In this communication, it underlined the merit-based nature of the accession process and indicated that thematic clusters, including several negotiating chapters, will be open for negotiation as a whole, with the aim of rendering the accession negotiation process more dynamic. Ahead of the 5-7 May 2020 Zagreb Summit, the European Commission will also present its view on how to step up cooperation with the Western Balkans.
- **An ambitious neighbourhood policy:** European Commission President von der Leyen, underlined that 'working hand in hand with our neighbours and our partners' is vital for the EU. In the first quarter of 2020, the European Commission is expected to present a new Eastern

Partnership strategic document outlining 'a new set of long-term policy objectives'. The EU will support the post-coronavirus recovery efforts of 10 enlargement and neighbourhood countries by providing €3 billion in macro-financial assistance.

➜ **Engagement with partners:** EU leaders stressed that engaging 'on an equal footing' with partners both bilaterally and multilaterally is a key element of a dynamic, effective and 'robust' EU foreign and security policy. To this end, it is expected that the review of regional and country-related strategies, initiated as early as 2016 as part of the implementation of the EU Global Strategy, will continue. In her agenda for Europe, Commission President von der Leyen, called for a comprehensive strategy on Africa, which was put forward in March 2020.

The roadmap for recovery – jointly presented by European Council President Charles Michel and European Commission President Ursula von der Leyen at the request of the European Council following the coronavirus outbreak – confirmed the EU's commitment to 'multilateralism and a rules-based international order', and underlined the Union's 'responsibility' to help shape a global response to the pandemic.

D. Noteworthy commitments: specific requests and follow-up

Supporting a 'lasting political solution' in Syria

For almost a decade, the European Council has been monitoring developments in the Syria crisis, as shown in Figure 6. Between March 2011 and February 2013, Syria was a permanent feature on the meeting agendas of EU leaders, who called repeatedly for a regime change. This phase of active monitoring was followed by two years (March 2013 to April 2015) during which the crisis in Syria was monitored at the level of the Foreign Affairs Council, with the European Council intervening sporadically. Emphasis was placed on the renewal of sanctions and the disbursement of humanitarian aid.

Figure 6 – Monitoring by the European Council of the Syrian crisis
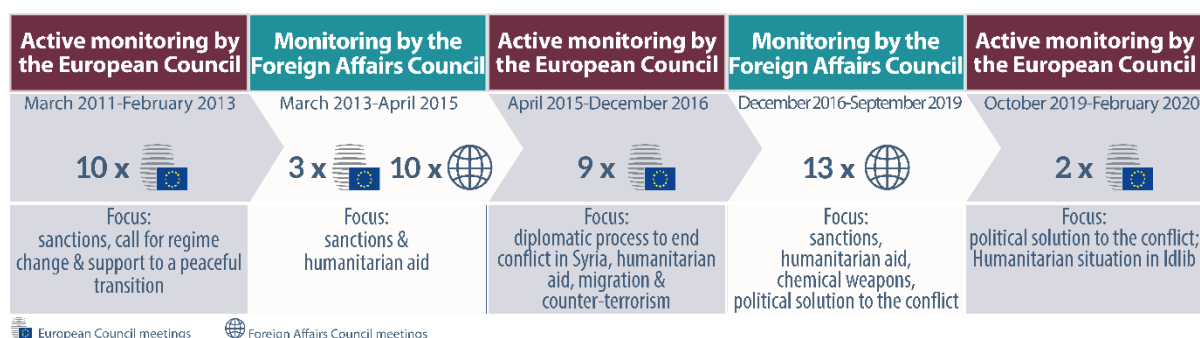
Source: EPRS.

The outbreak of the migration crisis in April 2015 meant that the European Council again entered into an active monitoring phase, during which the EU leaders devoted most of their attention to the humanitarian situation in Aleppo; this lasted until December 2016. The period between April 2015 and December 2016 was also characterised by intense diplomatic activity, with the EU energetically supporting an UN-brokered political solution in line with the 2012 Geneva Communiqué. In several of its resolutions, the European Parliament called for the cessation of hostilities and urged negotiating parties to 'intensify work for a lasting political settlement in Syria'.

A new phase of Foreign Affairs Council monitoring began in January 2017. It coincided with a loss of pace in the Geneva peace talks and a long series of talks in Astana, held under the auspices of Turkey, Russia and Iran, and to which the UN is party. Since January 2017, the EU has reaffirmed its support for a negotiated political solution, condemned the use of chemical weapons and renewed sanctions imposed on the Syrian regime.

More recently, in October 2019, the European Council entered a new phase of active monitoring of the Syrian conflict. This development is largely due to Turkey's unilateral military action in North East Syria and the mounting critical humanitarian situation in the Idlib area. The latter aspect led EU leaders to adopt a declaration calling for a political solution to the crisis in February 2020 asking for the situation in Syria to be brought to the attention of the International Criminal Court.

A European perspective for the western Balkans

The western Balkans featured regularly on the agenda of the European Council in recent years. The agenda was dominated by counter-terrorism cooperation, by the need to stem migration on the western Balkan route and, more recently, by enlargement. As the regional security situation deteriorated in early 2017, analysts spoke of no clear political commitment to the region, pointed to the stagnation of reforms and stressed the fragility of the political and security situation. At the same time, they warned of the danger of having the western Balkans turn their back to the European project unless a clear commitment was made on the region's European future.

The European Council held a debate on the regional situation in the western Balkans in March 2017. The debate was of two-fold importance: 1) it reaffirmed the European perspective of the Western Balkans and 2) placed enlargement back on the political agenda of the EU. However, despite substantive progress made in the interim in overcoming neighbourly disputes as well as two successive country reports from the European Commission recommending the opening of accession negotiations with Albania and North Macedonia, the European Council decided for the moment not to greenlight the opening of accession negotiations. France was among those Member States which have considered that a reform of the accession process procedure should come first.

In February 2020, the European Commission presented a new communication 'Enhancing the accession process – A credible EU perspective for the Western Balkans' with the aim of further streamlining the accession process. Visiting both Albania and North Macedonia in January 2020, European Council President Charles Michel stressed that the 'destiny of the western Balkans, must be oriented entirely towards Europe.' In a recent resolution, the European Parliament expressed 'its deep disappointment at the EU's failure to agree on opening accession talks with North Macedonia and Albania' and stressed that the EU's credibility was undermined by this decision, which it has qualified as 'a strategic mistake'. On 26 March 2020, EU leaders endorsed the General Affairs Council conclusions which greenlight, under stricter country-related conditionality rules, the opening of accession negotiations with Albania and North Macedonia, without indicating a clear date for their start. The Zagreb EU-Western Balkans summit was held on 6 May 2020 by video-conference. EU leaders expressed their solidarity with the western Balkan countries, recognised the region's strategic importance for the EU and reaffirmed its 'European perspective', though without mentioning 'enlargement' as a process. They adopted the Zagreb declaration, which in many aspects – governing principles and policy priorities – is similar to the declaration adopted in Sofia in 2018.

E. Challenges ahead and outlook

The EU will continue to face a volatile security situation in its neighbourhood in the years to come. In this context, the European Council will have to play its Treaty role to the full and continue to set strategic guidelines for foreign policy action. This requires a regular assessment of the threats and risks the European Union is faced with, as requested by several Heads of State or Government, in the 'Future of Europe' debate in the European Parliament plenary. It would also require collective debates on relations with Russia and China rather than one-off reactions to their actions. Finally, it would also require in-depth reflection on how to preserve strategic relations with the USA, in a context where there is a not insignificant risk of continuing drifting apart.

10. An inclusive Europe creating opportunities for all

A. Background

The implementation of the European Pillar of Social Rights (Social Pillar), proclaimed in 2017, is an important priority for EU leaders, as also highlighted in the strategic agenda 2019-2024, with the Social Pillar designed to serve as a 'compass for a renewed process of upward convergence towards better working and living conditions in the European Union'. The twin transitions, digital and climate while expected to bring significant opportunities, in terms of job creation and new business models and markets, will ineluctably present challenges to the EU's social model. Policies will need to be 'shaped in a way that embodies our societal values, promotes inclusiveness, and remains compatible with our way of life', the strategic agenda reads.

Since the beginning of the year, the outbreak of the coronavirus pandemic and its exponential spread have, however, impacted heavily national health systems with the EU leaders fully engaged in crisis management. The prospect of a protracted economic recession, of unknown length and severity, has prompted the European Council to take a coordinated approach and joint action to cope with the crisis, especially given the lack of coordination among Member States in the early days of the crisis. EU leaders have underscored the need for a joint European approach and close coordination with the European Commission to combat the pandemic.

On 13 March 2020, the Commission unveiled a comprehensive economic response to the pandemic including, inter alia, more flexible State aid rules, the use of Stability and Growth Pact clauses enabling exceptional expenditures and an immediate release of unallocated funding. Moreover, the Coronavirus Response Investment Initiative (CRII), will allow for the disbursement of €37 billion from the European structural and investment funds to fight the virus outbreak. Member States will be using unallocated amounts in 2020 to accelerate investments related to the epidemic in three main areas: health, support for SMEs' working capital and funding of short-term employment schemes.

In addition, the Coronavirus Response Investment Initiative Plus (CRII+) introduces extraordinary flexibility in the use of cohesion policy funds (e.g. transfers between funds and between regions) and provides support for the most deprived, by changing the rules for the Fund for European Aid to the Most Deprived (FEAD). Extending the scope of the EU Solidarity Fund to include a public health crisis component will mobilise up to €800 million this year, while the European Globalisation Adjustment Fund will support dismissed workers and the self-employed with up to €179 million.

B. Legal basis for European Council action

Article 15 of the Treaty on the European Union (TEU): The European Council, when fulfilling its Treaty role of 'defining general political directions and priorities' will consider the following provisions of general application:

- Article 8 (TFEU): In all its activities, the Union shall aim to eliminate inequalities, and to promote equality, between men and women.
- Article 9 (TFEU): In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.
- Article 10 (TFEU): In defining and implementing its policies and activities, the Union shall aim to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Employment policy

- Article 3(3)(TEU) and Articles 8-10, 145-150, 156-159 and 162-164 of TFEU.
- Article 148(1) TFEU: 'The European Council shall each year consider the employment situation in the Union and adopt conclusions thereon, on the basis of a joint annual report by the Council and the Commission'.

Social policy, including fight against poverty, social exclusion and discrimination

- Article 3 (TEU), and Articles 9, 10, 19, 45-48, 145-150 and 151-161 of TFEU.
- Article 153 (TFEU) allows the EU to act in the wider area of equal opportunities and equal treatment in matters of employment and occupation, and within this framework Article 157 TFEU, authorises positive action to empower women.

Education, vocational training and culture

- Article 3 (TFEU) and Articles 165-167 (TFEU).

Equality between men and women

- Articles 2 and 3(3)(TEU)), Article 153 (TFEU), Art. 157(TFEU), Art. 19(TFEU), Art.8 (TFEU).

Health

- Article 168 (TFEU) and Article 114 (TFEU).

C. Strategic orientations

In the 2017 Rome Declaration, EU Heads of State or Government have pledged their support for working together for a 'social Europe', which: 'promotes economic and social progress as well as cohesion and convergence; respects the diversity of national systems and the role of social partners; promotes equality between women and men as well as rights and equal opportunities; fights unemployment, discrimination, social exclusion and poverty; where young people receive the best education and training; and which preserves our cultural heritage and promotes cultural diversity'.

While these objectives are reiterated in the strategic agenda for 2019-2024, they are now placed in the context of the transition to a carbon neutral economy. 'The EU can and must lead the way, by engaging in an in-depth transformation of its own economy and society to achieve climate neutrality. This will have to be conducted in a way that takes account of national circumstances and is socially just'. This will require that careful attention be paid to maintaining high standards of social protection and inclusiveness of labour markets, as well as a high level of consumer protection and food standards, but also that good access be ensured to healthcare.

D. Noteworthy commitments: specific requests, and follow-up

Fighting the Covid-19 virus outbreak

Since the designation of the virus outbreak as a pandemic by the World Health Organization (WHO), the EU Heads of State or Government have been meeting on a regular basis with a view to agreeing on a coordinated approach to combatting the outbreak. At their first video-conference on 10 March 2020, the 27 EU Heads of State or Government, alongside the presidents of the Commission and the European Central Bank and the High Representative of the Union for Foreign Affairs and Security Policy, agreed to work together along four main axes: 1) limiting the spread of the virus; 2) providing medical equipment; 3) promoting research e.g. the development of a vaccine; and 4) tackling the socio-economic consequences of the crisis.

Regarding the immediate consequences of the public health emergency, EU leaders called on the Commission to assess existing stocks of medical equipment and to propose ways of remedying

shortages across the EU, while Member States were invited to coordinate and provide necessary and reliable data. Since late February, the Commission has been engaging with industry to accelerate production and launched four joint procurements with Member States in order to acquire protective equipment and medical devices. Moreover, it adopted an implementing regulation temporarily prohibiting the export of certain personal protective equipment[12] to ensure 'adequacy of supply in the Union'. This was revised, limited to fewer products and then ceased to apply on 26 May 2020 since it had served its purpose.[13] In their Joint statement of 26 March 2020, the Members of the European Council stressed that the adoption of the regulation was aimed at lifting of all forms of internal bans and restrictions.

The European Council notably highlighted its commitment to support research for the development of a vaccine available to all in the shortest time possible. Some 18 research projects, involving 151 teams worldwide, have already been shortlisted following the Commission call on 30 January 2020. On 19 March 2020, the Commission announced the creation of a stockpile of medical equipment under the rescEU initiative, part of the EU civil protection mechanism. In this respect, EU leaders have underlined the need to increase, as necessary, the budget allocated for the rescEU stockpile. The Commission has also set up a Clearing house for medical equipment to help identify available supplies, including testing kits. In light of WHO recommendations, the European Council stressed that the EU's testing capacity needed to be increased as a matter of urgency, inviting Member States to report to the Commission.

At their third stock-taking video-conference, on 26 March 2020, EU leaders asked the President of the Commission, Ursula von der Leyen, and the President of the European Council, Charles Michel, to 'start working on a roadmap, accompanied by an action plan, to prepare an exit strategy and a comprehensive recovery plan, including unprecedented investment'. On 16 April, the two presidents presented a European roadmap aimed at coordinating the lifting of containment measures across the EU. It stressed that, prior to the lifting of restrictive measures, Member States would be expected to assess their readiness by relying on three criteria: epidemiology (spread of disease), sufficient health system capacity, and appropriate monitoring capacity, including large-scale testing and contact-tracing. In addition, Member States would be expected to inform the Commission and neighbouring countries of their decisions to lift restrictive measures.

Fighting youth unemployment, social exclusion and poverty

Addressing inequalities, affecting young people in particular, remains an important objective and the strategic agenda cautions against the potential ramifications of inaction in the long term with a risk of generational, territorial and educational divides developing across the EU. The current public health emergency and the lockdowns put in place across all EU Member States will inevitably have an impact on the labour market. The impact will most likely affect certain sectors disproportionately and, to a larger extent, those employed under non-standard employment contracts e.g. platform workers and the self-employed. International Labour Organization estimates indicate that the crisis could increase Europe's unemployment by 7.8 % in the second quarter of 2020 (12 million full-time workers). The Commission's spring economic forecast, issued on 6 May 2020 also foresees an increase in unemployment in the euro area from 7.5 % to 9.5 % this year, with young and precarious workers more affected.

While employment levels had recovered significantly over the past decade (since 2009), high levels of unemployment among young people led to the launch of a number of initiatives in the previous political term, including the Youth Guarantee and the Youth Employment Initiative. While youth unemployment had decreased in relative terms from its peak of 24 % in 2013 to less than 15 % in

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[12] Protective spectacles and visors, face shields, mouth-nose-protection equipment, protective garments and gloves.

[13] Protective spectacles and visors, mouth-nose-protection equipment and protective garments.

2019 – youth unemployment rates before the health crisis still remained high in the EU, with more than 30 % in several countries, double the overall unemployment rate (less than 7 %).

Commission President Von der Leyen, committed to turning the Youth Guarantee into a permanent instrument to fight youth unemployment with an increased budget. A proposal on the reinforcement of the Youth Guarantee, expected in June 2020, should better address the specific needs of young people and ensure effective social protection, given that many young people increasingly enter the labour market through temporary and atypical contracts.

Increased investments in people's skills and education will be needed to not only upgrade the digital skills of new entry workers but also to reskill those already on the labour market. With half of the current workforce expected to update their skills in the next five years, the Commission will update the Skills Agenda for Europe, and issue an updated digital education action plan later this year.

Social protection and inclusive labour markets

Following the proclamation of the Social Pillar, a number of proposals have been put forward to revitalise the social acquis. A total of 24 proposals were adopted in the social field during the previous Commission mandate. However, an action plan on the implementation of the Social Pillar, the creation of a European social security number and the adoption of the proposal aiming at the coordination of social security systems remain outstanding. The Heads of State or Government have marked the implementation of the Social Pillar as high priority for the EU in the next five years and called for its implementation at EU and Member State level in line with respective competences.

The creation of an unemployment insurance scheme has gained momentum as one of the priorities on the Commission's agenda with a proposal expected before the end of the year. Gaps in social protection have been highlighted by recent research over the 2008-2018 period. These indicate that 32 % of temporary full-time workers and 39 % of temporary part-time workers in the EU do not have access to unemployment benefits. Moreover, close to 55 % of self-employed workers are unable to access benefits from such schemes. Given an increasing number of layoffs across Europe as a result of the coronavirus lockdowns, on 2 April 2020, the Commission made a proposal for a European mechanism for temporary support to mitigate unemployment risks in an emergency (SURE).[14] While this temporary solution would allow companies to keep people in their jobs, a longer-term solution will still be necessary, as stressed by EU Commissioner for Jobs, Nicolas Schmit.

The creation of an unemployment insurance scheme was discussed at the Eurogroup meeting in December 2018, in the context of discussions over a euro area budget. While no agreement was reached at that time on the need and design of such a scheme, it was agreed that technical discussions would continue. The increased interest in this issue has followed the Meseberg Declaration, in June 2018, in which France and Germany agreed to make concrete proposals for a European Unemployment Stabilisation Fund before the European Council meeting of December 2018.

Fair working conditions

Both the Employment, Social Policy, Health and Consumer Affairs meeting in December 2019 as well as the Tripartite Social Summit in October 2019 have addressed the need to adjust the social acquis to rapid changes in the labour market, in particular those brought about by digitalisation and transition to a carbon neutral economy. Digitalisation, and, in particular, the use of artificial intelligence, is expected to substantially impact the number of jobs but also their nature. These

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[14] The regulation was published in the Official Journal on 20 May 2020 and the instrument will become available after all Member States have provided their guarantees.

changes may make it more difficult to ensure that all workers benefit from fair and dignified working conditions.

Commission President von der Leyen has identified minimum wages and employment conditions of workers in the platform economy as a top priority for this year. EU Commissioner Schmit, has indicated that any future EU legal instrument on fair minimum wages would respect 'Member States' and social partners' competences, as well as national traditions of wage bargaining'. Following the results of a first stage public consultation with social partners, the introduction of a legal instrument (e.g. directive) has been met with reluctance. Several Member States have called for a European minimum income system to be set up and this issue will likely be high on the agenda of the incoming German Council Presidency. A proposal on the minimum wage is expected before the end of the year.

Regarding the working conditions of digital platform workers, a Platform Work Summit due to be held in September 2020, has been postponed. The health emergency has further highlighted the vulnerability of these workers, with regard to the lack of clarity over the nature of their employment status (employed or self-employed status varying by country) and their uneven access to social protection schemes.

Empowering people: Education and culture

The European Council's strategic agenda has emphasised the importance of education and training for both the economy and the society and called for more investment in people's skills and education. At the December 2017 European Council, following a discussion on a leaders' agenda note on education and culture, EU leaders set out a number of work strands to guide the work of the institutions and the Member States for the next years. These have included, notably, strengthening strategic partnerships among universities (European Universities), facilitating the recognition of academic diplomas, stepping up youth mobility (Erasmus+), participation in educational activities (European Student Card), improving digital skills and language learning.

These objectives contribute to the implementation of the European Education Area, which the Commission has set out to achieve by 2025. Progress has been made on all of these strands with a number of recommendations already issued and a number of initiatives underway. The Commission has indicated that it would further develop the objectives of the European Education Area and establish a new education and training cooperation framework with the Member States.

The cultural and creative sectors have been among the sectors most hit by the lockdown as a result of the pandemic. Following the first meeting of the EU ministers of culture and media on 8 April 2020, it was agreed that an assessment of the situation was necessary that would then make it possible to design EU programmes to reach these industries, with special attention to the Creative Europe programme. The European Parliament's Culture Committee has raised the idea of an emergency fund to support the media and press sector, as well as an increase in the budget earmarked for the Creative Europe programme in the 2021-2027 MFF.

Addressing demographic challenges

A notable element in the strategic agenda has been a small, but yet very significant reference to the need to address demographic change in the EU. Most models used for analysing population trends suggest that, in the coming years, the EU's population will continue to age as a result of consistently low levels of fertility and extended longevity. During her mandate, EU Commissioner for Democracy and Demography, Dubravka Šuica, is thus expected to prepare an analysis of the impact of demographic change on different population groups. Moreover, public pension systems have also come under pressure as life expectancy rises and the number of births declines in the EU. In this context, a green paper on ageing will follow, analysing long-term impacts of an ageing society on care and pensions, and the ability of social protection systems to deal with the needs of the ageing

population. While the report on demographic change will be released later this year, the green paper is scheduled for next year only, owing to the current circumstances.

Union of equality for all

Ensuring equality between women and men is both a social imperative and an economic asset, the strategic agenda reads. Despite progress in this area, the average EU gender pay gap is 16 % while the average pension income gap between women and men is currently at 37 %. The December 2017 European Council had underlined the need to prioritise the implementation of the EU action plan on the gender pay gap; however since then, EU leaders have not returned to this issue.

Despite the adoption of the Pay Transparency Recommendation in 2014, measures aimed at increasing pay transparency are entirely absent in a third of EU Member States. In its resolution on 30 January 2020, the European Parliament called for the gender pay gap action plan to be revised by the end of 2020 to set clear targets for the Member States to reduce the gap over the next five years. Most recently, in the European gender equality strategy (March 2020), but also in the revised work programme, the Commission indicated that it would table binding pay transparency measures before the end of the year.

E. Challenges ahead and outlook

While the European Council has endorsed the proposals made by the Commission to tackle the immediate social and economic consequences of the health crisis, EU leaders were unable to agree on a common vision for a recovery fund to address the long-term consequences of the crisis at their meeting on 23 April 2020. The Commission has therefore been tasked with preparing a revised multiannual financial framework (MFF), within which it would establish a link to the recovery fund, with Article 122 TFEU as a legal basis. The Commission released its revised proposal on 27 May 2020. Nevertheless, the health crisis has already led to a delay in the work programme for 2020, and some legislative files have been postponed and others adjusted to the current circumstances.

European Council President Charles Michel has underlined that the EU leaders remain 'committed to giving the necessary impetus to work on the recovery fund as well as the MFF, so that a balanced agreement on both can be found as soon as possible'. France and Germany have also unveiled a joint initiative to set up a €500 billion European recovery fund to help the countries and industries hardest hit by the Covid-19 pandemic. The initiative has still to be discussed among all Member States however.

Given the serious human consequences of the public health crisis, the lack of overall preparedness in combatting the epidemic across the EU and the lack of coordination among Member States at the start of the virus outbreak have been criticised. EU leaders have acknowledged that the EU needed to become better at 'developing its executive capacity and at managing crises in a coordinated fashion'. They underscored the 'pressing need to produce critical goods in Europe', 'to invest in strategic value chains' and to build 'more resilient infrastructure' to deal with unforeseen events, in particular in the health sector. In its resolution of 17 April 2020, the European Parliament proposed the establishment of a European health response mechanism in order to improve common and coordinated preparation and response to any type of health or sanitary crisis that emerges at EU level, and a health autonomy action plan in 'strategic areas' such as active pharmaceutical ingredients. On 27 May 2020, the Commission proposed a standalone EU4Health programme to help Member States and the EU 'build up capacity and preparedness for future health crises'.

11. Greater responsibility for our defence

A. Background

The 2019-2024 strategic agenda indicates that European defence cooperation (EDC) remains a priority for the EU in the years to come. A rolling item on the agenda of the European Council, EDC began to gain impetus nearly a decade ago, but the process has accelerated significantly over the past four years with the introduction of a series of mechanisms – Permanent Structured Cooperation (PESCO), the European Defence Fund (EDF) – aimed at fostering cooperation. Whilst at the start of the period (2012), the European Council security and defence conclusions included mainly statements on the need to strengthen defence cooperation, over time there was a progressive increase in the share of commitments, i.e. concrete policy steps to develop joint initiates in the field of defence. This confirmed the European Council's strong political will to move forward in this field.

A series of push factors have accelerated European defence cooperation during the past decade. They include a particularly challenging environment in the EU's neighbourhood, especially in Libya, Syria and Ukraine, where crises and conflicts remain unresolved. Moreover, the EU continues to face an increasingly assertive Russia and needs to reassure its partners in the Western Balkans of its open door policy, while it seeks to overcome tensions in transatlantic relations, principally but not exclusively, linked to burden-sharing within NATO. The return of power politics, already visible in recent years, is likely to be accelerated by the coronavirus crisis. Thus, it is important that EU Member States continue strengthening their defence cooperation.

B. Legal basis for European Council action

The treaty provisions outlined above in this chapter under section A.3 also apply to defence cooperation. They are complemented by specific provisions, of which some are discussed below:

➤ **Article 42(2) TEU:** The 'progressive framing of a common Union defence policy' may lead to 'common defence' should the European Council 'acting unanimously' so decide. This treaty provision remains unimplemented to date, as no action has yet been taken by the European Council in support of 'common defence'.

➤ **Articles 42(6) and 46 TEU and Protocol No 10:** Member States willing to make 'more binding commitments' in defence may use permanent structured cooperation (PESCO) for this purpose. Successive attempts to activate PESCO remained unsuccessful until December 2017, when 25 EU Member States expressed their commitment to the mechanism and the European Council welcomed its launch.

C. Strategic orientations

European defence cooperation continues to be a priority under the European Council's strategic agenda 2019-2024. Five strategic orientations will be pursued in the next years, namely: 1) strengthening CSDP; 2) cooperation with partners, including the UN, NATO, and the African Union; 3) addressing new security challenges; 4) support for the development of capabilities; and 5) the strengthening of the defence industry and the defence market.

The European Council has already identified these orientations in several of its earlier conclusions from December 2012 and 2013. Work on these strategic orientations is ongoing since and has accelerated from 2016 onwards with the adoption of the **EU Global Strategy** and the subsequent **'defence package'**. The latter included three elements which are currently being implemented, namely: 1) the implementation plan on security and defence (IPSD) offering the framework to implement the security and defence component of the global strategy; 2) the European defence

action plan (EDAP) presented by the European Commission with the aim of stimulating better spending in defence and fostering economies of scale; and 3) the Council conclusions on the implementation of the EU-NATO joint declaration signed in July 2016 in Warsaw.

D. Noteworthy commitments: specific requests and follow-up

A series of cooperative mechanisms – the coordinated annual review on defence (CARD), PESCO, and the EDF – were introduced since 2016, with the aim of enabling EU Member States to jointly identify defence capability shortages and, subsequently, to develop new ones. Their interaction is presented in Figure 7. Their introduction has boosted the secretarial role of the European Defence Agency (EDA), without substantively increasing its resources (financial or manpower). It has also led to the creation in the von der Leyen Commission of the Directorate-General for Industry and Space, as part of the Internal Market portfolio of Commissioner Thierry Breton.

Figure 7 – Interaction between CARD, PESCO and the EDF
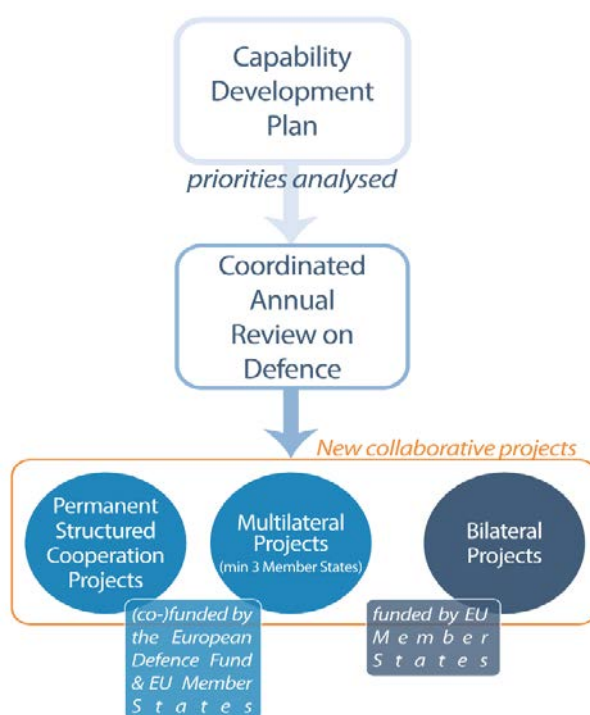
Source: EPRS, based on EEAS and EDA data.

Coordinated annual review on defence

The coordinated annual review on defence (CARD) is a voluntary mechanism allowing the identification of EU Member State's capabilities and shortfalls. CARD has been in the spotlight of the European Council since late 2016, when the EU leaders asked the then High Representative, Federica Mogherini, to make proposals on the elements that would define the mechanism. The CARD modalities were agreed upon in Council in the first half of 2017 and the European Defence Agency (EDA) was tasked with the secretariat work. The first CARD trial run took place in 2017-2018, based on a methodology developed by EDA. The exercise showed that defence spending was on the rise, although its 2017 level remained in real terms lower than the 2005 level. It has also shown disparities between Member States as regards their defence investments. Another area of concern was defence research and technology as Member States were unable to meet the undertaken collective benchmark of 2 % of total defence spending. A first full CARD cycle exercise was conducted in 2019, based on lessons learned from the trial run, and a report is awaited.

Analysts have welcomed the introduction of CARD, but at the same time, have warned that the multiplication of the tasks carried out by the EDA with respect to CARD, as well as in the context of PESCO and the EDF, need to be accompanied by an increase in the resources allocated to the agency. The EDA budget, which has been 'frozen' at roughly €31 million for almost a decade on account of Member States' diverging views, was increased by 5 % up to €33.6 million for the 2018 financial year. A further increase by 3 % (€34.7 million) occurred in 2019, whilst no additional increase was agreed for 2020.

Permanent structured cooperation

In December 2016, the European Council gave the then High Representative, Federica Mogherini, a mandate to present 'elements and options for an inclusive permanent structured cooperation based on a modular approach and outlining possible projects' in the months ahead. In June 2017, the European Council 'agreed on the need to launch inclusive and ambitious permanent structured cooperation'. EU leaders have then requested a 'common list of criteria and binding commitments', a prerequisite to enable the EU Member States to notify their intention to take part in PESCO. By December 2017, 25 EU Member States had notified the Council of their intention to join PESCO.

An initial set of 17 PESCO projects was agreed in March 2018, followed by two additional sets of projects, raising the number of PESCO projects so far to a total of 47. 'Military mobility' is the flagship project – and the only individual PESCO project that the European Council has focused on so far. It is also the most inclusive PESCO project, with 24 out of 25 Member States participating. It is complemented by two other initiatives developed by the European Commission (the November 2017 joint communication on improving military mobility in the EU, expected to be funded through the Connecting Europe Facility instrument as a dual-use project), and the EU-NATO initiative. The overall aim is to facilitate the rapid movement of military capabilities from one side of the continent to the other, if need be. The EU leaders will, most probably, refer once again to 'military mobility' in the near future when they consider matters of defence. In the interim, the Council assessed the progress made by Member States in meeting their PESCO commitments.

European Defence Fund

From December 2016 onwards, the European Council discussed the European Defence Fund (EDF) at each of its meetings dedicated to matters of defence. The EDF, which is part of the European Commission's EDAP, is comprised of two windows, one dedicated to defence research and another to capabilities. The research window is fully funded by the EU budget. The capability window includes the development of prototypes co-financed by the EU budget (20 %) and Member States (80 %), and an acquisition dimension fully funded by the EU Member States. The initial estimate proposed by the European Commission earmarked €13 billion for the EDF under the next MFF, whilst the final amount will result from the ongoing MFF negotiations.

E. Challenges ahead and outlook

The European Council has monitored regularly security and defence cooperation progress and will, most probably, continue to do so in the years to come. Defence cooperation remains a priority for both the European Council and the European Commission, although only the latter sets work towards a European Defence Union as an objective to attain whilst the former only calls on the EU to take 'greater responsibility for its own security and defence, in particular by enhancing defence investment, capability development and operational readiness'.

The political consensus within the European Council on the need to continue developing European defence cooperation will be put to the test in the 2021-2027 MFF negotiations. The EU leaders will have to confirm their commitment to defence and its budgeted instrument, the EDF, in a context where post-coronavirus recovery financial needs might lead to the prioritisation of other policy areas.

12. Free and fair trade

A. Background

In recent years, international trade has gained increasing visibility on the European Council agenda. Profound changes have occurred in the global trading landscape, with common rules and standards questioned and new actors entering the world stage. A high level of economic interconnectedness and the ineluctable rise of emerging economies on the world stage, notably China, have highlighted differences across economic systems and divergences over the impact of certain policies and practices in the global economy. Moreover, the United States (US) administration's pursuit of an 'America first' foreign policy has been accompanied by a trade policy aimed primarily at reducing trade deficits with partners. The existential threat the World Trade Organization (WTO), as the core of the multilateral trading system is currently facing, and growing trade tensions have translated into a highly unstable trading environment, with spill-over effects for economic growth.

The growing impact of the coronavirus pandemic across the EU has reshuffled political priorities in the area of trade policy. The lockdowns put in place across the world as a result of the pandemic have led to significant disruptions in production and supply chains, leading to a fall in consumer demand, and subsequently, to a fall in global trade volumes estimated at 13-32 % in 2020. The crisis has exposed the vulnerability of complex, interconnected and 'just in time' supply chains across many sectors, including in health, also highlighted by shortages in personal protective equipment. Strengthening the resilience of European companies' supply chains has thus become an important issue at EU level, with discussions under way on achieving a balance between reshoring production, diversifying supply chains and ensuring adequate stockpiling.

While the pace of negotiations with trade partners has been slower since the beginning of the year, relations with the US and China will continue to be high on the agenda of EU Heads of State or Government this year. Moreover, European Council President Charles Michel has highlighted relations with Africa as a top priority for his term in office, in the light not least of the recently adopted EU-Africa strategy and the revision of the Cotonou Partnership Agreement. The potential consequences of the spread of the novel coronavirus across the African continent highlights the urgency of building a coordinated global response to combating the pandemic. Last but not least significant, the EU has begun negotiations on the future partnership with the United Kingdom (UK), with the June 2020 European Council constituting an important occasion for stocktaking.

B. Legal basis for European Council action

- **Article 22(1) of the Treaty on the European Union (TEU)**: On the basis of the principles and objectives set out in Article 21 TEU, the European Council shall identify the strategic interests and objectives of the Union. Decisions of the European Council on the strategic interests and objectives of the Union shall relate to the common foreign and security policy and to other areas of the external action of the Union.
- Such decisions may concern the relations of the Union with a specific country or region or may be thematic in approach [...].
- **Article 216(1) of the Treaty on the functioning of the EU (TFEU)**: The Union may conclude an agreement with one or more third countries or international organisations where the Treaties so provide or where the conclusion of an agreement is necessary in order to achieve, within the framework of the Union's policies, one of the objectives referred to in the Treaties, or is provided for in a legally binding Union act or is likely to affect common rules or alter their scope.

> ➤ **Article 16(6) TEU**: The Foreign Affairs Council shall elaborate the Union's external action on the basis of strategic guidelines laid down by the European Council and ensure that the Union's action is consistent.

C. Strategic orientations

'Relations with strategic partners, including our transatlantic partners, and emerging powers have to be a key component of a robust foreign policy' the European Council strategic agenda reads. The EU is to take a holistic approach, redesign and realign its policies to better cope with a rapidly changing environment. Guaranteeing a level playing field has become the EU mantra, especially with respect to trade policy, which has taken centre stage in recent years. EU leaders have therefore placed strong emphasis on 'ensuring fair competition within the EU and on the global stage, promoting market access, fighting unfair practices, extraterritorial measures and security risks from third countries, and securing our strategic supply chains'. In this context, the EU continues to pursue 'an ambitious and robust trade policy ensuring fair competition, reciprocity and mutual benefits, both at the multilateral level in a reformed WTO and in bilateral relations between the EU and its partners'.

The need for the EU to show unity and assertiveness on the global stage can indeed be seen as a running thread throughout the European Council strategic agenda. This perspective has been further reinforced by the impact of the coronavirus pandemic on national health systems but also on economic prospects in the EU. Amidst a rising number of export restrictions and prohibitions on vital medical protective equipment and supplies, EU leaders have underlined their commitment to international cooperation and multilateral solutions in tackling the pandemic, including by strengthening the 'sustainability' of global integrated value and supply chains.

D. Noteworthy commitments: specific requests and follow-up

Leading the WTO reform

The WTO has been under significant pressure in recent years due to the US blockage of nominations of members to the WTO Appellate Body, second and highest instance of WTO dispute settlement system. Since December 2019, the Appellate Body has only one member left and can no longer accept any new appeals. Underlying issues behind the current challenges faced by the WTO include: i) the difficulty of reconciling different economic models, notably the liberal market economies such as the USA with the state-led economic model of China; ii) the lack of a definition of what constitutes a developing country, which under the WTO rules, enables countries to claim special and differential treatment. Questions have thus been raised as to whether the WTO rules are still fit to address today's economic realities, e.g. digital trade, and whether they still allow its members to effectively counter unfair trade practices. The June 2018 European Council addressed this issue and invited the Commission to work together with like-minded partners towards a reform of the institution in its three areas: rule-making, dispute settlement and monitoring.

On 24 January 2020, the EU and 16 WTO members[15] agreed to develop a multi-party interim appeal arrangement, based on Article 25 of the WTO Dispute Settlement Understanding, which allows for the use of arbitration as an 'alternative means of dispute settlement'. The agreement became effective on 30 April 2020. In the absence of a functional WTO Appellate Body, the Commission also announced last December amendments to the EU Enforcement Regulation, so as to ensure that the

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[15] Australia, Brazil, Canada, China, Chile, Colombia, Costa Rica, Guatemala, Republic of Korea, Mexico, New Zealand, Norway, Panama, Singapore, Switzerland, and Uruguay.

EU is able to enforce international trade rules in circumstances where the WTO is no longer able to deliver binding dispute-settlement decisions. The Council adopted its position on 8 April 2020, supporting the Commission's proposals to impose sanctions such as customs duties, quantitative restrictions on imports or exports of goods, and measures in the area of public procurement, in situations not covered previously by the regulation. In this way, the Commission is able to retaliate fairly if a trade partner imposes WTO-incompatible trade measures while blocking the WTO dispute settlement process.

In light of the efforts to reform the WTO, trilateral talks bringing together EU, Japan and the USA have also been taking place, this in parallel with initiatives to address trade distorting practices of non-market economies, such as subsidies and state aid. In this regard, on 14 January 2020, the three countries agreed that the current list of subsidies prohibited under the WTO rules was insufficient and proposed to add new types of subsidies to the WTO Agreement on Subsidies and Countervailing Measures. In addition, they underlined the need to clarify the concept of 'public body' as defined under current WTO rules since its current definition undermines the effectiveness of subsidy rules.

The coronavirus pandemic has led to the postponement of the June 2020 WTO Ministerial Conference by one year. This has resulted in a slowdown in the work of WTO committees, inevitably delaying ongoing negotiations, such as fisheries and e-commerce. Of greater concern, the health crisis has led some countries to impose export restrictions or prohibitions on essential goods, such as medical equipment or food (grains). WTO reports indicate that 80 countries have taken measures of this kind to date, with the immediate consequence of endangering the supply of vital supplies to those most in need. The Commission has been monitoring Member States' measures and has worked towards removing barriers since the beginning of the crisis. More recently, certain countries have called for a removal of tariffs on medical products, especially those related to infectious diseases, and the EU has temporarily waived tariffs on medical equipment. Following discussions with trade ministers on 16 April 2020, EU Commissioner Hogan stated that the EU was ready to engage in a plurilateral negotiations with willing countries on permanent liberalisation of tariffs on medical equipment.

Ambitious trading relationships with partners

In recent years, the EU has concluded a number of important trade agreements with a wide range of partners, including Canada, Japan, Singapore, Vietnam and Mexico. In June 2019, an 'agreement in principle' was reached with Mercosur (Argentina, Brazil, Paraguay, and Uruguay) on the trade pillar part of a wider Association Agreement. Negotiations on trade agreements are currently underway with Australia and New Zeeland, as well as with partners in Latin America, such as Chile. The relaunch of a bi-regional agreement between the EU and ASEAN could be envisaged once a critical mass of bilateral deals has been reached.

EU-US trade talks

Trade relations with the USA have been strained since 2018 following the imposition of additional US tariffs on EU steel and aluminium imports. In its investigation conducted under Section 232 of the 1962 Trade Expansion Act, the USA concluded that the import of these products amounted to a threat to US national security. In an effort to de-escalate the situation, EU leaders addressed the issue on the margins of the Western Balkans summit (May 2018) and agreed to start talks with the USA in several areas, provided that the EU were granted a permanent exemption to the tariffs. Despite a temporary exemption, to date these tariffs are still in force (and have been extended to derivative steel and aluminium products). In February 2019, US President Donald Trump also signalled his

intention [16] to place tariffs on car and car parts from the EU, which he restated at the Davos World Economic Forum in January 2020, although the deadline set by the act to impose tariffs had passed.

Nonetheless, former Commission President Juncker and US President Trump agreed in July 2018 to work towards a trade agreement on industrial goods, strengthening cooperation on energy, launching a dialogue on standards as well as reforming the WTO and tackling unfair trade practices. In April 2019, the Foreign Affairs (Trade) Council endorsed two negotiating mandates on: 1) a trade agreement to remove tariffs on industrial goods, [17] excluding agriculture; and 2) an agreement on conformity assessment [18] allowing companies on both sides of the Atlantic to recognise the technical requirements of the other party, and thus reduce the costs of testing and certification of products. Regarding the latter, the Commission tabled the EU proposal on 22 November 2019 covering several industrial sectors.

However, negotiations have stalled since, due to a number of reasons, including differences in negotiation agendas, the withdrawal of the USA from the Paris Agreement on climate change, and, in particular, the long-standing Airbus-Boeing dispute regarding aircraft subsidies. In October 2019, the WTO ruled in favour of the USA with regard to EU subsidies to Airbus and entitled it to take action against the EU. The USA imposed tariffs worth US$7.5 billion on certain EU goods, e.g. cheese, wine. On 14 February 2020, the US Trade Representative announced an additional tariff increase on aircraft imported from the EU from 10 % to 15 %, effective on 18 March 2020. Moreover, US legislators in Washington put forward legislation to eliminate a tax break granted to Boeing, which had been deemed illegal under WTO rules.

The EU expects a decision by the WTO in June 2020 on a similar case brought by the EU against the US on subsidies granted to Boeing; the EU had engaged with the US, seeking to reach a compromise solution that would have avoided the tariff escalation, but its proposal was not successful. Most recently, in a formal submission to the WTO, in early May, the US Trade Representative stated that the US had fully implemented the WTO recommendations and that Washington's repeal of the tax break ensured there was 'no valid basis for the EU to levy retaliatory tariffs against US goods', therefore bringing the dispute to an end. The EU however disagreed with this assessment and stated that a decision on the matter would still need to be taken by the WTO.

Lastly, digital taxation has also become a sore point since France adopted a digital tax, in 2019, targeting large technology companies with revenues of more than €750 million; this move, led the USA to initiate an investigation and consider taking countermeasures. At the World Economic Forum in Davos, French President Emmanuel Macron and US President Donald Trump nevertheless reached a truce on the matter. France agreed to suspend the collection of its digital tax and the USA agreed not to impose tariffs on French goods until the end of 2020; this timeline would give time for negotiations on an international agreement on digital taxation to bear fruit at the OECD.

EU-China investment relations

The EU's engagement with China covers a large number of areas (over 60 sectoral dialogues), the trade relationship being the most developed area of cooperation. In this area, the EU has been negotiating a Comprehensive Agreement on Investment (CAI) with China to facilitate market access for EU investments since 2013. The CAI would replace the 26 existing bilateral investment promotion

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[16] On 23 May 2018, the US Department of Commerce started a Section 232 investigation into US imports of cars and car parts. The report was released on 19 February 2019, but was not made public.

[17] Industrial goods encompass all goods other than those included in Annex I of the WTO Agreement on Agriculture, issued on 24 January 2020.

[18] The conformity of a product is assessed before it being placed on the market, thus the product must meet all legislative requirements in the applicable product legislation. Conformity is assessed through testing, inspection and certification.

and protection agreements (BITs) between China and EU Member States. While these BITs differ considerably, they all cover only the post-entry protection of investment and do not include market access provisions for the pre-entry phase to ensure that foreign investors have the same market access as domestic investors. The CAI therefore aims to go beyond the usual investment protection dimension and cover market access.

Twenty-nine rounds of negotiations have so far taken place with the latest market access offers exchanged in December 2019, and the next round expected at the end of June 2020. The EU is seeking the opening of key sectors, such as telecommunications, information and communication technology, health, financial services and manufacturing. The EU also expects more commitment from China on ensuring a level playing field for EU companies, by avoiding forced technology transfers, removing discriminatory authorisation procedures, ensuring that state-owned enterprises compete on equal terms, and improving transparency regarding subsidies.

In November 2019, the two countries concluded negotiations on an agreement on cooperation on, and protection of, geographical indications. This had been a commitment made by China at the 2019 EU-China annual summit, at which a number of objectives were set. These included, inter alia, concluding the EU-China Comprehensive Investment Agreement in 2020; a joint commitment to WTO reform and finding areas of convergence, and in particular resolving the WTO Appellate Body crisis. Regarding WTO reform, an EU-China working group has already been set up in 2018 and a first tangible result has been China's commitment to work together with the EU on strengthening rules on industrial subsidies.

At the March 2019 European Council preceding the 2019 EU-China summit, EU leaders held a discussion on the state of EU-China relations. Ahead of the European Council meeting, the Commission and the High Representative for Foreign Affairs and Security Policy (HR/VP) put forward a joint contribution, which outlined their vision of future EU-China relations and proposed 10 actions for endorsement by EU leaders. The actions covered the entire spectrum of areas where China and the EU cooperate, with almost half of the actions focused on trade and investment.

Although the European Council did not endorse the joint communication, the text of the conclusions includes references to the trade and investment issues outlined in the joint Commission–HR/VP communication, however without singling out China. The following issues have featured on the European Council agenda and remain a high priority in 2020:

- resuming work on an International Procurement Instrument to improve EU ability to access procurement markets abroad;
- implementation of the framework for screening foreign direct investment, including legislative and administrative measures in Member States;
- possible legislation and tools to address distortive effects of foreign state ownership and state financing of foreign companies on the EU internal market.

EU-Africa relations

European Council President Charles Michel has made EU relations with Africa a priority for his term in office and called for a shared agenda that 'must not be a one-way street, for one-way streets often lead to a dead end'. In his speech to Heads of State convened at the 33rd African Union Summit in February 2020 he added: 'Europe is your partner for trade, investment, cooperation and development. [...] We must build a new house to accommodate our many common interests, and we must write a new chapter together.'

EU foreign affairs ministers discussed EU-Africa relations in December 2019 and in February 2020, focusing on all dimensions of the partnership. These discussions fed into the Commission's joint communication 'Towards a comprehensive strategy with Africa' issued in early March 2020. Trade and investment relations with Africa are a high priority for the mandate of Commissioner Hogan.

The entry into force of the African Continental Free Trade Agreement last year in May 2019 and EU efforts towards its implementation are seen as a stepping-stone towards a continent-to-continent free trade area between Africa and the EU.

EU-UK relations

Following the first round of negotiations on the future EU-UK partnership, in early March 2020, frictions became apparent in a number of areas, and in particular regarding level playing field provisions, criminal and judicial cooperation, fisheries and the general governance framework. The EU negotiating mandate specifies that the future agreement should 'uphold common high standards and corresponding high standards over time, with Union standards as a reference point' including state aid rules, environmental and social standards, but also taxation issues. Since its initial position paper, in February 2020, on the future partnership as well as in its negotiating positions released mid-May, the UK has explicitly rejected alignment with EU law including the jurisdiction of the European Court of Justice on its territory. The following three rounds of negotiations have seen very limited progress in the narrowing of the differences in the main areas of divergence.

Strong and fair trade

Trade and sustainable development

Given the high number of trade agreements concluded by the EU in the last few years, the current political cycle will see significant attention paid to their implementation. Strengthening the enforcement of commitments by third countries, in particular, regarding trade and sustainable development chapters (TSD), will continue to play an important role, as also called for by the March 2018 European Council. The European Parliament in its resolution of 15 January 2020, called for 'all international trade and investment agreements to include strong, binding and enforceable sustainable development chapters […].

At a video-conference, in late April 2020, EU Justice Commissioner Didier Reynders indicated that a legislative initiative would be unveiled in 2021, calling on European companies to monitor respect for human rights and mitigate negative environmental impacts throughout their supply chains. In this context, the Commission's proposal for a carbon border adjustment mechanism, will likely also gain traction as an important political priority on the agenda. The instrument aims to ensure that EU companies compete on a level playing field with countries that do not regulate CO_2 emissions in a similar fashion, by putting a carbon price on imports of certain goods. A public consultation of relevant stakeholders has already started and the impact assessment has been launched. The European Council has welcomed the introduction of such an instrument in 2021 for selected sectors.

The recently created Chief Trade Enforcement Officer post, expected to be filled in June 2020, will play an important role in improving compliance with and enforcement of the EU's trade agreements, including on sustainable development commitments.

E. Challenges ahead and outlook

The Covid-19 virus outbreak has underscored the need to reassess the resilience and sustainability of global value and supply chains. In particular, it has also led to an acknowledgement of the vulnerability resulting from an over-reliance on other countries' production of critical goods as emphasised in recent statements by the European Council. This has been the case, for instance, with personal protective equipment, but also with the supply of active ingredients for the production of certain medicines. The delay in the management of the crisis across the EU and the lack of stockpiling of vital medical resources led certain Member States to impose export restrictions within the EU. While endorsing the Commission's temporary EU-wide export authorisation scheme,

intended to harmonise such national approaches, the European Council has stressed the need to lift all forms of internal bans and restrictions in the single market.

The European Council has acknowledged that the pandemic has shown the 'pressing need to produce critical goods in Europe' and 'to invest in strategic value chains' and has called for a thorough analysis of the socio-economic ecosystems and sectors worst affected, to allow for a targeted response. 'Investing in clean and digital technologies and capacities' will be essential in the global race to recovery. The reflection process has already started, with the Commission stating that it was preparing a strategic review of trade policy, aiming at 'achieving the right balance between a Europe that is 'open for business' and a Europe that 'protects its people and businesses'.

Regarding the conclusion of the EU-China investment agreement in 2020, following the cancellation of both the spring summit and the September 2020 Leipzig meeting under the German Council Presidency, it remains unclear at this stage how much progress can be made on the talks. Trade Commissioner Phil Hogan has underlined that, achieving progress on issues such as state-owned enterprises, forced technology transfers and industrial subsidies would indeed be beneficial for all.

While EU-US talks slowed down earlier in the year, meetings have picked up pace since April 2020. More recently, the Commission stated that improving regulatory transatlantic cooperation on medical devices and pharmaceuticals had become increasingly relevant. Moreover, EU Commissioner Hogan opened up the possibility of engaging in more 'structural' cooperation with the US on digital trade, in particular on artificial intelligence. Regarding the Airbus-Boeing dispute, the Commission has reiterated the EU's commitment to reaching a balanced, negotiated solution on the matter, despite recent statements by US trade officials. The June 2020 WTO decision regarding subsidies granted to Boeing is likely to help bring both parties back to the negotiating table.

The Commission aims to launch a broad initiative on the reform of the WTO before the end of the year as planned. Moreover, as stated by EU Commissioner Hogan, WTO initiatives to facilitate trade, including the elimination of tariffs on medical, pharmaceutical and other health-related products, could be considered at this time. The European Parliament has asked for a 'global catalogue of essential emergency healthcare products' to be agreed among WTO members ahead of the next ministerial conference as well as for the scope of the WTO Pharmaceutical Tariff Elimination Agreement to be enlarged.

The health crisis has created new challenges and opportunities for EU-Africa relations. EU leaders, together with their African counterparts, have called for a debt moratorium and a financial aid package for Africa. 'Re-establishing trade flows and supply routes is of the utmost importance' to ensure food supplies, with many African countries dependant on food imports. In this context, the priorities of the EU Africa strategy would probably need to be redefined, with health-related and wider social aspects given greater attention.

Regarding EU-UK talks, after four rounds of negotiations, little progress has been made on the key issues. Six months before the scheduled end of the transition period, the June 2020 European Council represents an important stock-taking moment in the negotiations, and, by the end of June, the UK is also expected to formally indicate whether it wants an extension to the transition period ending in December 2020. Member States have stressed that reaching an economic and trade partnership agreement with the UK is conditional upon reaching an agreement on both the level playing field provisions and on fisheries. In its recommendations, adopted in June, the European Parliament also stressed that the future partnership should respect the joint commitments made in the October 2019 political declaration.

This EPRS publication, 'Key issues in the European Council', is updated quarterly to coincide with European Council meetings. It aims to provide an overview of the institution's activities on major EU issues, by analysing twelve broad policy areas, explaining the legal and political background and the main priorities and orientations defined by the European Council in each field. It also assesses the results of European Council involvement in these policy areas to date, and identifies future challenges in the various policy fields.