

Outlook for the European Council Meeting of 18-19 December 2014

Based on the annotated draft agenda and previous European Council Conclusions, it is expected that the next meeting of the European Council on 18 and 19 December 2014 will mainly deal with economic and social policies and Ukraine. The annotated draft agenda is drawn up by the President of the European Council, in close operation with the Member of the European Council representing the country holding the six-monthly Presidency of the Council, now Italy, and the President of the European Commission. A provisional agenda will be published after discussions on 16 December in the General Affairs Council.

1. The Annotated Draft Agenda

1.1 Economic and Social Policy

Based on the annotated draft agenda and in line with the Commission President's Political Guidelines¹ (the Juncker 10 point programme), economic and social policy will be the main focal point of this December European Council. Efforts to foster growth, jobs and European competitiveness will be addressed in the context of the Annual Growth Survey (AGS) 2015 and the €315 billion Investment Plan presented by the Commission during Parliament's November plenary session in Strasbourg.

Economic recovery has been sluggish in Europe amid sustained low inflation. At the same time, the unemployment rate is still high and unevenly distributed across Member States (e.g. 5.1% in Germany compared to 24.8% in Spain). Against the backdrop of financial markets fragmentation and a high level of private and public debt, investment remains weak and hampers Europe's recovery and jobs creation. The European Commission estimates that the EU's investment shortfall compared to its long-term average, is between €230 to €370 billion.

In this context, the Task Force led by the Commission and the EIB will report to the European Council – in line with the Conclusions of October 2014 – on concrete actions and potentially viable projects identified to boost investment across Europe in the short and medium term. As a first step, the Task Force released a final report – discussed by ECOFIN on 9 December 2014 – identifying about 2,000 projects worth €1.3 trillion of potential investments. The European Council will continue discussions on this report and the Investment Plan for Europe, which was announced by the Commission in late November. This Plan aims at mobilising €315 billion in additional public and private investment into the "real economy" over the next three years.

A European Fund for Strategic Investments (ESFI) is expected to be established by June 2015 in partnership between the Commission and the EIB. This would imply that the Commission has to table a legislative proposal early next year on which the co-legislators will have to agree by the summer of 2015. As an initial guarantee supporting the Fund, the EIB and the Commission will commit €5 billion and €16 billion, respectively. Based on financial engineering, the Commission estimates that an overall multiplier of 1:15 could be reached by the ESFI in actual investment in the real economy (accordingly amounting to (21x15=)

¹ The Commission Work Programme will be presented at Parliament's plenary session in Strasbourg on 16 December 2014.

€315 billion for investment plans over the 2015-17 period). The ESFI will invest in strategic long-term projects, for instance transport infrastructure, education, research and innovation, renewable energy and energy efficiency. The fund would also contribute to supporting investment by SMEs and "mid-companies" which face capital shortages. The Commission also invited Member States to contribute further to the Fund in order to boost investment. In addition, it also aims at abolishing barriers to investment and improving regulatory predictability through this Investment Plan. The economic viability of all projects will now be assessed in order to launch "a forward-looking and transparent pipeline of investable projects" with a view to, ultimately, restoring investor confidence and attracting private-sector investment. A review of the Plan by the Commission and the European Council is scheduled for mid-2016.

Against this background, the European Council will likely call for further measures to improve the regulatory environment for investment, more specifically through the use of the better regulation agenda and speedier transposition and implementation of legislation that is relevant for investment and in the field of the Single Market. The European Council will also probably call for an Energy Union proposal and a Digital Single Market initiative respectively before March and June 2015. Along the same lines, the Commission will have to contribute to a Capital Markets Union through the presentation of an action plan on financing the economy.

The European Council is also expected to endorse the **2015 Annual Growth Survey (AGS)** and **2015 Alert Mechanism Report (AMR)** adopted by the Commission on 28 November 2014. The AGS marks the kickoff of the 2015 European Semester² of fiscal and economic policy coordination and highlights EU priorities to boost economic recovery and employment. The Investment Plan of €315 billion over the period 2015-2017 launched by the Commission is of key importance in this regard (see above). Implementation of structural reforms is another key pillar to foster growth, jobs creation and competitiveness. A recent **study** by EPRS found that the implementation of Country-Specific Recommendations (CSRs) - which are endorsed by the European Council and adopted thereafter by the Council every year - was poor and continued to lose momentum in 2013 compared to 2011-12. In particular, the "no implementation" rate of the 2013 CSRs in the areas of public finances and structural reforms were above the global average "no implementation" rate of 50%, at 56% and 52%, respectively. Note that the Commission, contrary to **last year**, decided not to publish, alongside the AGS, any interim progress reports on the implementation of the 2014 CSRs by EU Member States. Lastly, the AGS outlines that Member States should pursue growth-friendly fiscal consolidation in line with the Stability and Growth Pact.

Streamlining and strengthening economic governance

Alongside the review of the 'six-pack' and 'two-pack', the Commission put forward several suggestions in the AGS in order to improve the functioning and efficiency of the European Semester. Its own output would be simplified by releasing - for instance in March - a single document assessing the economic situation of each Member State instead of the current in-depth reviews and staff working documents presented respectively in March and June every year. Member States' reporting requirements would also be reduced. Refocusing National Reform Programs could strengthen involvement of national Parliaments and social partners and reinforce communication and ownership role at national level. The Commission would like the process to also be more multilateral and open, through increasing dialogue and the exchange of views between all key stakeholders. Note that those above-mentioned views are mostly in line with those of the **German Finance Ministry** published in early November 2014.

1.2 External relations Issues

According to the annotated draft agenda, the European Council may also address specific external relations issues in light of developments on the international scene.

The Heads of State or Government will most likely discuss **the situation in Ukraine** again. Elections were held on 26 October and the new government of Ukraine expressed its determination to carry out political

² The European Semester - established in 2011 after the adoption of the '6-Pack' legislation - is an annual cycle coordinating economic and employment policies at EU level and through which the Commission provides policy guidance to Member States for the following year.

and economic reforms. The Commission made a further disbursement of 500 million euro in macro-financial assistance on 3 December after having already previously made a total of €860 million available in three installments (in May, June and November). However, strong concerns remain with regard to the situation in Eastern Ukraine, and the EU has urged both sides to implement the ceasefire agreed on 5 September. With regard to sanctions against Russia, the European Council will consider further steps if necessary. According to Council Decision 2014/658/CFSP, restrictive measures against Russia shall be reviewed in March 2015.

1.3 EU response to the Ebola crisis

According to the draft annotated agenda, the High Representative and the President of the Commission will present measures taken to respond to the Ebola crisis.

The Ebola virus has claimed over 6.300 lives so far. The European Union has been an active supporter of the fight against Ebola from the beginning. As of 6 December 2014, the total contribution of the EU to fight Ebola is more than 1.1 billion euros, which makes the EU the principal donor in the international community.

As discussed at the October European Council, the EU has sent humanitarian experts, deployed mobile laboratories and teams of specialists on dangerous infectious diseases to the affected region. The Emergency Response Coordination Centre has been set up by the Commission in early October which facilitates the transportation of relief items from Member States to affected countries. On 6 November, the EU scaled up support given to fight Ebola in the form of material aid and new capacity for medical evacuations of international aid workers. The Commission has also launched a €280 million call for proposals for Ebola research that will help to address the current outbreak and manage others in the future. At the 17 November Foreign Affairs Council, Commissioner Stylianides (appointed as EU Ebola Coordinator at the October European Council) presented his findings and his recommendations and urged Member States to deploy additional medical and epidemiological personnel, to adapt to the changing dynamic of the epidemic in some parts of the region, and to ensure efficient operational coordination among key actors at country level. He will report back and present further recommendations at the Foreign Affairs Council on 12 December, in preparation for the December European Council discussion. On 8 December, new support package of 61 million euros to affected West African countries was announced.

2. Topics that should return on the agenda based on previous Conclusions

The following topics should, according to previous European Council conclusions, return to its agenda in December 2014.

In August 2014, the European Council addressed the **prevention of radicalisation and extremism**, notably the flow of **foreign fighters to the Middle East**, through **sharing information on Passenger Name Records (PNR)**. The European Council called on the European Parliament and the Council to finalise, before the end of the year, work on the proposal for a directive on the use of Passenger Name Record data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime. However, on 29 April 2013, Parliament's Committee on Civil Liberties, Justice and Home Affairs adopted a report recommending the rejection by Parliament of the draft directive. The proposal is currently back in Parliament waiting for the decision of the Committee (2011/0023(COD)).

In its August meeting, the European Council also underlined the importance of close cooperation with third countries in order to enhance counter-terrorism capacity "in the region". It called for accelerated implementation of measures already in place. The European Council requested the Council to review the effectiveness of current measures and to propose additional actions, as required. In its conclusions, the European Council mentioned it will return to the topic in December. The Justice and Home Affairs (JHA) Council held an in-depth discussion on the issue of foreign fighters and the PNR directive in its meetings of 9-10 October and 4-5 December. In his speech on the 8 July 2014, U.S. Attorney General Holder spoke about foreign fighters and referred to the ability to travel visa-free between the EU and the United States, and said: "the problem of fighters in Syria returning to any of our countries is a problem for all of our countries.", implying difficulties for visa-free travel for EU citizens if the PNR directive is not adopted. It should be

noted that Parliament recently decided to refer the EU-Canada PNR Agreement to the Court of Justice and that the Court annulled the 2006 data retention directive in April.

In line with its March 2014 commitment, the European Council should discuss the state of play of negotiations on **savings taxation with third European countries** (Switzerland, Liechtenstein, Monaco, Andorra and San Marino) undertaken by the Commission. Last September, the full Global Standard for automatic exchange of information designed by the OECD was endorsed by the G20 Finance Ministers in Cairns, Australia. It would be difficult for the European Council to remain silent on tax issues in light of European wide indignation following "LuxLeaks" and because more tax transparency and cooperation is also a key point on the new Commission's agenda in order to enhance fairness in the single market.

3. Donald Tusk New President of the European Council

The December European Council will also mark a new institutional cycle as it is the first meeting of the EU Heads of State or Government convened by its **new President Donald Tusk**, who succeeded to Herman Van Rompuy 1 December 2014. Over the past five years Herman Van Rompuy, the first to hold the position of permanent president of the European Council, became known for his ability to find compromise. Management of the economic crisis formed the core of Van Rompuy's term in office, whereas the EU response to the conflict between Russia and Ukraine, keeping the UK in the EU and returning Europe to the path of growth and job creation still remain high on the agenda of main current political challenges.

Ten years after Poland joined the EU, its Prime Minister Donald Tusk was elected by the other European leaders as European Council President. Like his predecessor, he will also chair Euro Summits bringing together Heads of State or Government of the Eurozone countries. His two and a half year mandate, renewable once, will run from 1 December 2014 to 31 May 2017. Prior to his current position, Tusk was the longest serving Prime Minister of Poland (2007-2014) since the fall of communism. In the handover ceremony, outgoing President Herman Van Rompuy presented his successor as a true European: "It is a president coming from a country that, 25 years and a few weeks ago, was separated from the Union by the Iron Curtain. Now the favourite son of Poland is at the helm of the most important political institution of our Union. It really is a special moment."

Tusk became politically active during his student years at the University of Gdańsk, from where he holds a master's degree in history. He was actively involved in the Solidarity movement. Besides his political career, Tusk worked as a labourer and a journalist and wrote several books. After Poland's transition to democracy, Tusk founded and was party leader of the Liberal Democratic Congress, which promoted market economy and favoured European integration. In the nineties and in the beginning of this century, Tusk was a Member of the Polish Parliament. In 2001 he was one of three co-founders of the Civic Platform (Platforma Obywatelska PO) and its party leader (2003-2014).

"I come here with a strong sense of purpose", said Tusk in his remarks at the handover ceremony. He highlighted four themes key to Europe's success in the coming years: (1) protection of fundamental values, such as solidarity, freedom and unity against threats coming from outside and inside the EU; (2) determination to end the economic crisis; (3) a strong role for the EU on the global stage; (4) fostering good EU -US transatlantic relations, which he described as the backbone of the community of democracies. Mr Tusk is expected to appear for the first time before the Parliament plenary in January 2015.

Manuscript completed in December 2014. Brussels © European Union, 2014.

This document is also available on the internet at: www.europarl.europa.eu/thinktank.

To contact the European Council Oversight Unit, please e-mail: EPRS-EuropeanCouncilOversight@ep.europa.eu.

The opinions expressed in this document are the sole responsibility of the author(s) and do not represent an official position of the European Parliament. Reproduction and translation of this document for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.