BRIEFING

The Future of Europe

Contours of the current debate

SUMMARY

In the aftermath of the United Kingdom's decision to leave the European Union (EU), following the referendum of June 2016, the EU launched a profound reflection on the Future of Europe, which continues in various fora and institutions.

The debate has gained new momentum: the acceleration of the negotiations with the UK on its withdrawal from the EU, the electoral results in some EU Member States, and the forthcoming European Parliament elections in May 2019, have all deepened the discussion and increased the visibility of the positions of the various actors involved.

In this context, since the beginning of 2018, the European Parliament has been organising plenary debates on the 'Future of Europe' with Heads of State or Government – so far with the Irish Prime Minister, Leo Varadkar, in January; the Croatian Prime Minister, Andrej Plenković, in February; and the Prime Minister of Portugal, António Costa, in March. The President of France, Emmanuel Macron, is due to deliver a speech during the Parliament's April 2018 plenary session. The Belgian Prime Minister, Charles Michel, and the Prime Minister of Luxembourg, Xavier Bettel, have confirmed their participation in early May, in Brussels, and at the end of May, in Strasbourg, respectively. This Briefing gives an overview of where the current debate stands in a number of key policy areas, such as the future of economic and monetary union (EMU) and the EU's social dimension, as well as recent developments in EU migration policy, and security and defence. It also includes some preliminary analysis about the future, post-2020, Multiannual Financial Framework (MFF) and discussions on broader institutional matters.

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See also the parallel EPRS publication, From Rome to Sibiu – The European Council and the Future of Europe debate.

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Background

In-depth reflection on the 'Future of Europe' has been underway for some time in a range of different fora and institutions. The debate became more explicit in the aftermath of the UK referendum of June 2016, when the other 27 EU leaders decided to start meeting informally in an EU-27 format, in parallel with European Council (EU-28) meetings. The idea was to initiate in-depth reflection on the future of the EU. The EU-27 first focused on the causes and consequences of Brexit, leading to the Bratislava Declaration and Roadmap of 16 September 2016. In a second phase, in the period up to their meeting in Valletta in February 2017, EU-27 leaders deliberated on the future of the EU. Then, with the Rome Declaration of 25 March 2017, adopted on the occasion of the 60th anniversary of the Rome Treaties, the EU-27 leaders gave a clear signal of 'unity and solidarity'. The Rome Declaration envisaged the possibility for Member States to integrate at different speeds and intensities, while 'moving in the same direction'. It also expressed a vision for the EU for the next ten years, organised around a safe and secure Europe, a prosperous and sustainable Europe, a social Europe, and a stronger Europe on the global scene. To emphasise its political importance, the Rome Declaration was signed both by the EU-27 leaders and by the Presidents of the European Parliament and the European Commission.

Following its resolution adopted in June 2016, in the immediate aftermath of the UK referendum, the European Parliament adopted three further landmark resolutions in February 2017. The first resolution, on improving the functioning of the EU and building on the potential of the Lisbon Treaty, focuses on exploiting the unused potential of the Lisbon Treaty without making any Treaty changes. The second resolution, on possible evolutions of and adjustments to the current institutional set-up of the Union, addresses possible Treaty changes. The third resolution, on budgetary capacity for the euro area, calls for a qualitative leap in integration in that specific field.

A fundamental contribution was also provided by the European Commission on 1 March 2017, with its white paper setting out in greater detail the main challenges facing the EU and proposing five scenarios in which integration could be undertaken up to 2025. The white paper was designed to contribute to the broader debate but also to feed into the Rome Declaration. The Commission's white paper has since been complemented by a number of reflection papers on key topics for the EU.

In his State of the European Union address of 13 September 2017, the President of the European Commission, Jean-Claude Juncker, put forward a sixth scenario, complementing those of the white paper, and unveiled a Roadmap for a more united, stronger and more democratic Union, setting the timeline for the Commission's key initiatives up until the 2019 European elections. At the European Council of 19-20 October 2017, the President of the European Parliament, Antonio Tajani, recalled the Parliament's early contribution to the debate on the Future of Europe. He also announced its intention to host debates during plenary sessions, as a democratic and open forum, at which Heads of State or Government and other leading European figures would be invited to express their vision, starting in early 2018. These 'Future of Europe' plenary debates have already hosted the Irish Prime Minister, Leo Varadkar, in January, the Croatian Prime Minister, Andrej Plenković, in February, and the Prime Minister of Portugal, António Costa, in March. At the April 2018 plenary session, the President of the French Republic, Emmanuel Macron, is expected to deliver a speech and participate in the debate. President Macron already showed his ambitious vision for Europe in a landmark speech, given at the Sorbonne University on 26 September 2017, underlining his commitment to the European project and putting forward substantial proposals on the EU's institutional set-up and policy reach. The Belgian Prime Minister, Charles Michel, and the Prime Minister of Luxembourg, Xavier Bettel, have confirmed their participation in early May, in Brussels, and at the end of May, in Strasbourg, respectively.

As a part of its strategy to bring the European project closer to the people, the European Commission launched the 'citizens' dialogue', an initiative that saw fora organised in all Member

States to discuss the European agenda and its future developments. President Macron has proposed a further similar exercise in the months leading up to the 2019 European elections.

Economic and monetary union

Launched in 1992, Europe's economic and monetary union (EMU) comprises the single currency and an independent monetary policy run by the European Central Bank (ECB), rules for the coordination and surveillance of Member States' economic policies, and, more recently, a single rulebook and single supervision framework for financial institutions within the euro area. The legal foundations on which EMU is based are the relevant Treaty provisions and two Council regulations. The financial and sovereign debt crises showed that this framework had a number of weaknesses. It was therefore enhanced with eight new EU regulations and directives (known as the 'six-pack' and 'two-pack'), two intergovernmental treaties (the Treaty on Stability, Coordination and Governance (TSCG) and Euro Plus Pact) and common prudential rules to prevent banking crises or manage them efficiently (including the orderly winding-down of failing banks).

In parallel to strengthening the framework mentioned above, discussions[1] began in 2012 on how to further integrate frameworks for the financial sector, budgetary matters and economic policy, as well as adding greater democratic legitimacy and accountability to the process. In this context, a Commission communication, entitled 'Blueprint for a deep and genuine EMU', was published in October 2012, describing the 'necessary elements and the steps towards a full banking, economic, fiscal and political union'. The communication fed into a December 2012 report published by the European Council President, in collaboration with the Presidents of the European Commission, the Eurogroup and the ECB, entitled 'Towards a genuine economic and monetary union'. This report suggested a timeframe and a staged process towards the completion of EMU. It was structured in three stages (from 2012 to 2014 and after) and involved proposals to ensure fiscal sustainability, break the link between banks and sovereigns, promote sound structural policies and improve the resilience of EMU through the creation of a central shock-absorption function. In 2015, a second report was published, entitled 'Completing Europe's economic and monetary union'. The report by the Presidents of the four aforementioned institutions, with the addition of the President of the European Parliament, built on the 2012 report and laid down a new roadmap to deepen EMU in two stages, completing it by 2025 at the latest. The first step, until mid-2017, involved immediate moves to 'deepen by doing', whereas the second step involved more ambitious actions to complete the EMU architecture.

On the occasion of the 60th anniversary of the Rome Treaties, in March 2017, the European Commission published its white paper on the future of Europe, followed shortly thereafter, in anticipation of the second step, by a reflection paper on deepening EMU. The latter contained some considerations regarding steps in three key areas – completing the financial union, achieving a more integrated economic and fiscal union, and anchoring democratic accountability and strengthening euro-area institutions. To achieve these goals, the reflection paper focused on new and ongoing initiatives, such as a strategy for non-performing loans, a common fiscal backstop for the single resolution fund, and a European deposit insurance scheme.

In his September 2017 State of the European Union address, the Commission President announced further policy initiatives to strengthen EMU governance. Around the same time, the European Council endorsed the Leaders' Agenda, setting its June 2018 meeting as the deadline to adopt concrete decisions on EMU reform (with possible further decisions to be taken during the March 2019 meeting). Finally, in December 2017, the Commission put forward specific proposals and initiatives to complete EMU, including a proposal for the establishment of a European Monetary Fund anchored in the EU legal framework; a proposal to integrate the substance of the TSCG into that same legal framework; and a proposal to strengthen the structural reform support programme.

The discussion on the future of EMU, however, is not confined to the EU institutions or their leaders. In September 2017, in an address at the Sorbonne, the French President, Emmanuel Macron,

presented EMU reform as one of six dimensions of an initiative for Europe. In addition to national reforms, he noted, Europe needs the instruments to make it an area of growth and stability, including a budget allowing it to fund common investments and ensure stabilisation in the event of economic shocks.

A month later, Germany's then finance minister, Wolfgang Schäuble, circulated to his Eurogroup colleagues a non-paper presenting his views on how to move forward. That paper was structured around three main principles, namely that: (i) fiscal responsibilities and control must be kept together to avoid moral hazard; (ii) better instruments are needed to foster the implementation of structural reforms; and (iii) credible stabilisation functions are necessary to deal with global or domestic shocks.

In March 2018, the finance ministers of Denmark, Estonia, Ireland, Latvia, Lithuania, the Netherlands, Finland and Sweden published a short paper in which they shared their perspectives on the current discussion around EMU. They proposed to take further steps to complete the banking union and strengthen the European Stability Mechanism (ESM), which could possibly be developed into a European Monetary Fund. Nevertheless, they were of the view that the EU should commit to work within the fiscal, economic and financial frameworks already in place, and that respecting the Stability and Growth Pact and implementing structural reforms are necessary to ensure a robust EMU.

Social dimension

The idea of strengthening the social aspects of economic and monetary union (EMU), in both the euro area and in the other Member States[2] – including improving employment, social protection and access to education, hand-in-hand with macroeconomic policies – has increasingly gained momentum in the wake of the financial and sovereign debt crisis and the ensuing constrained economic growth.

In the context of the debate triggered by the white paper on the future of Europe, launched by the Commission in March 2017, the reflection paper on the social dimension of the EU offered three scenarios for the future: i) focusing exclusively on the free movement of workers; ii) developing what would essentially be a multispeed Europe; and iii) genuinely deepening EMU across the EU-27. The reflection paper on harnessing globalisation further discussed wealth distribution and inequalities across the EU, and pointed to the very strong links between economic and social policies. In April 2017, the European Commission proposed a holistic reference framework, the European pillar of social rights ('social pillar'), for the future development of EU labour markets and welfare states. Its 20 principles and rights reach far beyond the strict confines of social policy, and address equal opportunities and access to the labour market; fair working conditions; social protection and inclusion. The social pillar – originally conceived for the euro area but addressed to all Member States – was proclaimed and signed jointly by the Commission, Council and European Parliament, on 17 November 2017 at the Gothenburg Social Summit. This joint commitment should open a new chapter for the social dimension of the European project.

One question for the future remains how to strengthen the social dimension in practice, and how the social pillar will contribute to the further development of social policies across the EU while mobilising the main EU policy tools at hand: legislation, guidance, governance, and funding. Some first evaluations claim that, although the social pillar is not presented as a legally enforceable instrument and builds on the existing social *acquis*, it does go beyond it in some areas (for instance, for the self-employed) and has the potential to bring about a new policy dynamic. On the one hand, while it only speaks about rights, it actually goes deep into certain areas of labour law. On the other hand, it may even affect the EU's economic governance.

As for legislation and guidance, the European Parliament has called for new legislative and non-legislative measures to modernise the world of work, social protection and access to education (January 2017 resolution on the social pillar). The European Council, at its December 2017 meeting,

agreed with the Commission's approach as proposed in its 2018 work programme. The latter covers several issues raised in the Parliament resolution. The European Council agreed that legislation and guidance should be taken forward with regard to: (i) implementing the European pillar of social rights at Union and Member State levels; (ii) improving social dialogue at all levels, including the Council's 'new start for social dialogue' at EU level; (iii) making progress on pending social files at EU level and on future initiatives announced in the 2018 Commission work programme; (iv) following up on the priorities of the EU action plan on gender pay gap; and (v) further delivering on the European skills agenda. To strengthen the social aspects of governance in terms of its *content*, the country reports within the 2018 European Semester exercise have made use of the social pillar, with particular emphasis on skills challenges and on national social safety nets. The draft joint employment report (JER), which feeds into the annual growth survey (AGS), uses the social scoreboard that accompanied the social pillar. However, there is some debate concerning the adequacy and suitability of the indicators within the scoreboard. In addition, in its 2017 resolution on the social and employment aspects of the AGS, the European Parliament reiterated the idea of introducing a 'social imbalances procedure' in the drawing-up of country specific recommendations (CSRs). Several issues around strengthening the social aspects of the Semester *process* are still to be tackled. In its resolution on the 2017 AGS, Parliament urged the Commission to launch negotiations on an interinstitutional agreement on economic governance to ensure that the structure of the Semester allows for meaningful and regular parliamentary scrutiny of the process, in particular as regards the AGS priorities and euro-area recommendations.

Finally, the future of EU finances will greatly impact on the extent to which the social dimension of the EU can be supported. Forthcoming initiatives on completing economic and monetary union include the introduction of an EU budget line dedicated to supporting structural reform and to develop a convergence instrument for pre-accession assistance. The debate on the post-2020 Multiannual Financial Framework (MFF), with the Commission's proposal expected in May 2018, will also be influential. The Parliament has made several proposals to secure financial support for new priorities. In its resolution on the social pillar and in other resolutions on the future of EU institutions, the Parliament recommended the introduction of a 'convergence code', with targets in the areas of taxation, labour mobility and pensions, for example. Meeting these targets would lead to access to EU funds and other EU economic reform instruments in combination with fiscal incentives. In its recent resolution on the reflection paper on the future of EU finances, the Parliament emphasised the importance of 'genuine' own resources for the EU to gain some financial autonomy. The basic dilemma behind all decisions concerning the social and economic dimension of the future of the EU is rooted in the need to concurrently address expectations relating to both responsibility and competitiveness on the one hand, and solidarity and caring on the other. To address these very diverse expectations, and to achieve upward convergence, closer coordination of economic and social policies will be necessary.

Migration

Since 2015, Europe has had to respond to the most significant migratory challenge since the end of the Second World War. Human mobility reached an unprecedentedly high level between 2015 and mid-2017, and Europe will no doubt continue to be attractive to migrants and asylum-seekers. This is due, on the one hand, to its geographic position, its respect for human rights and fundamental freedoms, and its reputation as a model of stability and prosperity, and, on the other, to its demographic challenges and need for greater innovation. Management of migration flows will continue to be high on the EU agenda, because of a range of factors, such as growing international and internal conflicts, climate change, and continuing economic disparities between the EU Member States and other countries. In a December 2017 speech, EP President Antonio Tajani stated: 'Piecemeal responses are the opposite of effective solutions. What we need instead is a strong European strategy, genuine coordination and more pooling of resources'. The EU must therefore combine a range of internal and external migration policy tools by continuing to update its asylum policies based on solidarity and responsibility, strengthening external borders, reducing irregular

migration and increasing returns, stepping up cooperation with third countries, and ensuring sufficient legal pathways into Europe.

In 2016, the European Commission adopted several proposals to reform the common European asylum system (CEAS) to make it more efficient and more resistant to migratory pressure. Almost two years after their launch by the Commission, the proposals have reached different levels of progress within the legislative process. The Parliament and Council have already reached political agreement on the proposal to establish the European Union agency for asylum and are close to confirming the reform of the Eurodac system for fingerprinting migrants. While trilogues are also progressing on the proposals for the new qualification regulation and the reception conditions directive, the co-legislators still have considerable work to do as regards the reform of the Dublin Regulation and the proposal for an asylum procedures regulation. As stated in the Commission's contribution to the Leaders' meeting of December 2017, a political agreement on the overall reform of the CEAS is expected by June 2018.

As emphasised in the European agendas on migration and on security, addressing current challenges requires improving the management of external borders, including by making better use of the opportunities offered by information technologies (IT) systems. In this regard, a revision of the Schengen Borders Code for the reinforcement of checks against relevant databases at external borders was adopted in March 2017. The transformation of Frontex into the European Border and Coast Guard Agency was adopted in September 2016, and the regulation establishing the Entry/Exit System was adopted in November 2017. Work is continuing on establishing the new European travel information and authorisation system (ETIAS), revising and expanding the Schengen Information System, upgrading eu-LISA's mandate, and setting up frameworks for interoperability between EU information systems in the area of borders and security.

The journey to the EU can be extremely dangerous, and smugglers frequently expose migrants to life-threatening risks. In order to prevent the loss of lives, notably in the Mediterranean Sea, and fight human-trafficking networks and smugglers, the EU established a series of naval operations, such as EU Navfor Med / Operation Sophia, with its mandate prolonged until December 2018. Furthermore, reducing irregular migration necessitates an effective policy on return and readmission of irregular migrants. Due to the low return rates, the EU is focusing on improving its own capacities, through the renewed return action plan and cooperation with the European Border and Coast Guard Agency, as well as on concluding re-admission agreements or practical arrangements with countries of origin and transit in Africa and Asia.

In March 2016, the EU and Turkey issued a statement on their plans to stem irregular migration from Turkey to the EU, ensure improved reception conditions for refugees in Turkey and open up organised and safe channels to Europe for Syrian refugees. Later that year, the Commission devised a new partnership framework with third countries, implemented through a series of compacts, intended to address the root causes of irregular migration, combat human smuggling, and motivate these countries to increase cooperation on return and re-admission. The new compacts are linked to incentives, both positive, such as visa facilitation, and negative, such as conditions on development cooperation, about which the European Parliament is very cautious. Such compacts have been concluded with Ethiopia, Jordan, Lebanon, Mali, Niger, Nigeria and Senegal, and have resulted in a clear reduction in the numbers of migrants arriving in Europe via the central Mediterranean route. Furthermore, in November 2017, the EU set up a joint task force in cooperation with the African Union and the UN, aiming to save and protect the lives of migrants and refugees along that route and in particular in Libya, accelerate assisted voluntary returns to countries of origin and resettle people from Libya in need of international protection. A more targeted approach to large movements of migrants and refugees, coupled with specific international commitments, including by the EU, is also being prepared by the UN Refugee Agency (UNHCR) and the International Organization for Migration. As a result, two global compacts are to be adopted in 2018, for refugees, and for other migrants.

In his 2017 State of the European Union address, the Commission President, Jean-Claude Juncker, acknowledged that 'irregular migration will only stop if there is a real alternative to perilous journeys'. Within the EU framework, Member States have been resettling refugees from third countries directly under the provisions of the EU emergency resettlement scheme and the EU-Turkey statement. However, the number of resettlements remains modest. In September 2017, the Commission recommended that Member States additionally resettle at least 50 000 vulnerable persons by October 2019, focusing on North Africa and the Horn of Africa. Furthermore, the European Parliament and Council are negotiating two proposals that could open up more legal pathways to Europe, one on the EU resettlement framework, providing safe and legal avenues to Europe for those in need of international protection, and another on the EU Blue Card to attract and retain highly skilled workers.

Security and defence

Recent years have seen very significant progress in EU security and defence initiatives. In March 2017, the Commission presented a white paper on the future of Europe, in which defence featured as one of the areas that would not regress under any of the five scenarios, but rather move forward, under some scenarios, towards a European defence union. Three distinct scenarios were further developed in the reflection paper on the future of European defence released by the Commission in June 2017.

In June 2015, the European Council acknowledged the dramatic change in Europe's security environment and committed to the continuation of work 'on security and defence'. It also tasked the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission (HR/VP), Federica Mogherini, with preparing an EU global strategy on foreign and security policy in cooperation with Member States. The global strategy was presented by the HR/VP in 2016 and subsequently implemented – in the area of security and defence - through a series of actions known as the 'winter defence package'. This package comprised: (i) concrete actions to implement the security and defence component of the global strategy; (ii) the European Commission's European defence action plan (EDAP); and (iii) proposals to strengthen EU-NATO cooperation within the framework of the Warsaw joint declaration. The package included actions and plans that, inter alia, set the basis for the progressive establishment of a European defence union, most notably the European Defence Fund (EDF), the coordinated annual review on defence (CARD), and use of permanent structured cooperation (PESCO). All three initiatives aim, to a greater or lesser degree, to tackle inherent weaknesses in the European defence market and the EU defence industry, as well as to enhance and optimise EU defence capabilities.

Significant progress on all fronts was made during 2017, with the cooperation of all EU institutions. In November 2016, the Commission unveiled the EDAP, which would involve setting up the EDF to support collaborative research in innovative defence technologies, and the development of defence products jointly agreed by the Member States. The fund was launched in June 2017, consisting of two legally distinct, but complementary windows: (a) the research window[3] and (b) the capability window, supporting joint development and joint acquisition of key defence capabilities. In June 2017, the Commission published a proposal for a regulation on a European defence industrial development programme (EDIDP) as part of the EDF. The aim of the proposal is to improve the competitiveness and innovative capacity of the EU defence industry, including cyber-defence, by supporting cooperation between undertakings in the development phase of defence products and technologies. It would offer financial assistance through grants, financial instruments and public procurement to projects implemented by at least three undertakings established in at least two Member States.

PESCO was launched in December 2017, with the participation of 25 EU Member States. It operates on the basis of concrete projects and commitments, several of which are geared towards strengthening the EU defence sector. PESCO members commit to increasing national defence budgets and investing more in defence research. Following the adoption of the initial list of projects

and of the implementation roadmap by the Council on 6 March 2018, the next steps will be the review and assessment process of the national implementation plans. These plans detail how participating Member States plan to fulfil the more binding commitments they have made to one another. The roadmap also provides a calendar regarding the proposal of, and agreement on, possible future projects. A common and coherent set of governance rules for projects is set to be adopted by the Council by the end of June 2018. A trial run of the CARD began in autumn 2017. Essentially, CARD is a process of monitoring the defence plans of EU Member States to help coordinate spending and identify possible collaborative projects.

Further proposals regarding the future of EU security and defence were presented by the HR/VP, at a European Union Institute for Security Studies (EUISS) event held in December 2017. The proposals included actions such as activating the EU Battlegroups, launching a European peace facility to plan and deploy military missions more efficiently, creating a mechanism for closer cooperation with non-European countries and international organisations, setting up a 'defence union task force', working towards a common strategic culture within the EU, and boosting European military training and education. As part of its efforts to step up security and defence, the EU is also aiming to improve military mobility. A joint communication on improving military mobility was presented in November 2017 and a follow-up action plan was adopted on 28 March 2018. This will also be one of the new areas for EU-NATO cooperation based on the Council conclusions of 5 December 2017.

Multiannual Financial Framework

The European Union's budget gives the EU the financial means to act. Each year, its size is negotiated within the limits set out in the multiannual financial framework (MFF). The MFF sets the annual limits on EU commitments in different policy areas and on overall annual payments, thereby giving an overview of the EU's priorities for a period of at least five years (in line with Article 312 of the Treaty on the Functioning of the European Union, TFEU). The preparation of this financial plan takes about two years and in most cases its duration has been set at seven years. Negotiating the next MFF thus means debating not just the financial aspects but the vision of the EU's action for the next decade.

With the current MFF for the 2014-2020 period[4] entering its final phase, the EU has started preparing the post-2020 plan. The preparation is taking place amid a broader debate on the Future of Europe. The new political priorities, set out by the Member States in the Bratislava Declaration in September 2016 and the Rome Declaration in March 2017, have to be translated into concrete actions, which require financial means. The next MFF has to serve a Europe that 'protects, empowers and defends'.[5] Therefore, one of the key questions of the debate is how to ensure financing of the EU's new priorities in the areas of security and defence, protection of external borders, asylum and migration policy and climate policy. While the new financial needs emerge, the existing, long-standing budgetary priorities remain relevant and some have even gained in importance. Increased resources are needed for EU programmes for youth (Erasmus+, Youth Employment Initiative), and research and innovation. Moreover, although modernisation and cuts in expenditure on cohesion policy and the Common Agricultural Policy have been suggested by the Commission as a possible option, these areas will remain a salient part of the EU's long-term budget. In addition, with the UK's withdrawal, the EU is losing a major contributor to the budget; the shortfall in revenue is estimated at €12-13 billion annually. The final settlement of the UK's financial obligations towards the EU is still to be formally agreed, although the negotiators have reached consensus on this aspect of the Withdrawal Agreement, including on a transitional period up to the end of the current MFF. Negotiations on a future relationship between the UK and the EU, which might lead to payments from the UK for participation in specific programmes, for example, have yet to commence.

Furthermore, the discussion on the next MFF is an opportunity to reform EU finances and re-emphasise some basic principles on which they should be built. The future EU budget, as often pointed out by the European Commission, should promote the realisation of European added value, meaning that pooling resources at European level should deliver results that spending at national level cannot, focused on delivering European public goods. The upcoming negotiations will also

have to answer the question of the MFF's duration (the current seven-year MFF is not synchronised with the five-year political cycles of the European Parliament and Commission), and balance financial predictability with sufficient flexibility to react to unexpected challenges. Other problematic issues currently debated include the possibility of linking the EU budget and the EU's economic governance framework more closely, and tying the disbursement of EU funds more directly to respect for the rule of law. Changes are also expected on the revenue side of the EU budget. There is broad consensus that the current own resources system needs to be reformed.[6] It is seen as complex and opaque and as encouraging Member States to focus on securing a *juste retour*, or 'fair return', from the EU budget, rather than thinking strategically about how best to finance European public goods. But while there is no shortage of ideas for alternative own resources that would radically simplify the system and endow the EU budget with greater financial autonomy, achieving significant reform has proven notoriously difficult. Changes to the own resources system require the Council to agree unanimously after consulting Parliament, and then need to be ratified by all Member States.[7]

The negotiations on the EU's multiannual financial plans have never been easy. It will not be any different with this sixth consecutive MFF. Adoption of the MFF will require a unanimous decision of 27 Member States and the European Parliament's consent (a special legislative procedure based on Article 312 TFEU). Given the many competing priorities, budgetary pressures and divisions among the main decision-makers, it is not surprising that reaching the agreement is sometimes compared to squaring the circle. Some believe, however, that the UK's absence from the negotiating table will change the balance between net contributors and net recipients and offer an opportunity for reforming the EU budget.[8] The procedure will start officially with the presentation of the Commission's MFF and own resources proposals, which are expected on 2 May 2018. They will be followed by the presentation of the legislative package for the main spending programmes. The Parliament has already presented its expectations regarding both the post-2020 MFF and reform of own resources in resolutions adopted on 14 March 2018. It calls for the next MFF to ensure the financial means to build a stronger and more ambitious Europe, able to react to unforeseen circumstances. In particular, MEPs stressed the need for a substantial boost to programmes delivering European public goods, supporting research and innovation, youth, and small and medium-sized enterprises as well as for proper resources for the EU's role in managing pressing internal and external challenges, including in the areas of security, migration, and external border protection. The Parliament estimates that, in order to ensure sufficient resources for traditional and new priorities, the MFF ceiling should increase, from the current 1.0 %, to 1.3 % of EU gross national income. It notes that new and 'genuine' EU own resources would be one way of financing this increase. Moreover, the Parliament insists on swift agreement, within one year, namely ahead of the May 2019 European elections. This would allow the new programmes to start on 1 January 2021, and avoid the delays which hindered the implementation of previous financial frameworks.

Institutional issues

The debate on the Future of Europe has an institutional dimension as well as several policy ones. The first EU institution to make its contribution was the European Parliament with four resolutions. In its first resolution, adopted in the immediate aftermath of the UK referendum, the Parliament called for a roadmap for a better Union with reforms to re-launch the European project. A second resolution, on improving the functioning of the European Union, suggested ways to exploit the unused potential of the Lisbon Treaty. Particular key institutional points were: the desire to preserve the 'Community method', limiting the inter-governmental approach; a shift from unanimity to qualified majority voting through the use of *passerelle* clauses by the European Council; more frequent use of the Parliament's right of legislative initiative; strengthening the Parliament's political scrutiny function over the Commission; and transforming the Council into a true legislative chamber and reducing the number of Council configurations. A third resolution on possible evolutions of and adjustments to the current institutional set-up of the European Union contained more far-reaching proposals requiring Treaty changes. This resolution stressed the importance of the 'Community

method' and reducing recourse to inter-governmental methods, but also made more substantial institutional proposals. These included the reduction of opt-ins and opt-outs; a new partnership for Member States unwilling or unable to join the EU; the transformation of fiscal and economic policy into a shared competence; increasing the involvement of the Parliament in economic and monetary union; the creation of an 'EU foreign minister', by transforming the office of the HR/VP; empowering the Commission to bring infringement procedures for the violation of Union values; making more frequent use of qualified majority voting in the Council; and granting the power to submit legislative proposals to actors other than the Commission, such as the Council, the Parliament and national parliaments. In a fourth resolution on budgetary capacity for the euro area, the Parliament underlined the need to restore trust in the euro area and proposed a number of measures to strengthen economic governance.

The European Commission issued its white paper as a contribution to the Rome Summit of 25 March 2017 and to the celebrations surrounding the 60th anniversary of the Treaties of Rome. This strategic document touched upon the broader challenges that will affect the shaping of European construction, such as the development of new technologies and automation, worldwide demographic developments, youth unemployment and security, and also identified five possible future scenarios of 'how Europe could evolve by 2025'. The intention was to stimulate debate without, however, providing definitive solutions. The five options, which are neither mutually exclusive nor exhaustive, are:

i.   'Carrying on' – implementing the agenda as set out in President Juncker's political guidelines, updating and adapting priorities to current circumstances;
ii.   'Nothing but the single market' – deepening certain aspects of the internal market, but excluding, for instance, migration and other policies that do not belong to it, and developing cooperation on a bilateral basis where necessary;
iii. 'Those who want more do more' – a 'coalition of the willing' proceeds at increased speed in fields of their choice (defence, internal security, taxation or social matters), which remain open to late joiners;
iv.   'Doing less more efficiently' – focus on a reduced number of areas with stronger tools, re-prioritising actions and excluding areas that do not fall under the new priorities; and
v.   'Doing much more together' – pulling forces together and advancing in all areas by sharing more powers and taking decisions faster.

To these five scenarios, a sixth was added in the 2017 State of the Union Address, consisting of strengthening a Europe of values represented by freedom, equality and respect for the rule of law.

More recently, the informal EU-27 meeting of 23 February 2018 debated several institutional matters that are particularly relevant for the May 2019 European elections, such as the composition of the European Parliament, the *Spitzenkandidaten* process and transnational lists. The European Parliament adopted a resolution on Parliament's composition, which will be affected by the withdrawal of the UK, supporting a reduction in the size of the Parliament with no loss of seats for any Member State. The resolution proposes the allocation of 27 of the 73 seats left vacant by the UK's withdrawal to specific Member States to correct the current flaws in degressive proportionality, leaving the remaining 46 vacant seats free to accommodate future enlargements. The Parliament's resolution, adopted during the February 2018 plenary session, does not endorse the idea of transnational lists, contrary to the committee report tabled for plenary. At the informal meeting of 23 February 2018, taking stock of the Commission's position on this issue too, the EU-27 leaders broadly supported the idea that UK withdrawal would entail a reduction of seats in Parliament (from 751 to 705) but did not support, for the near future, transnational lists. As to the *Spitzenkandidaten*, a process supported by the European Parliament and the Commission, European Council President Donald Tusk conveyed the view of the EU-27 leaders that the process is not automatic and does not guarantee that the European Council, according to the Treaty, will propose one of the lead candidates for President of the Commission. The Parliament's President, Antonio Tajani, however,

reiterated the importance of the *Spitzenkandidaten* process and the Parliament's position that it would reject any proposed Commission President who had not been a *Spitzenkandidat*.

FURTHER READING

For more information on this topic, please visit the European Parliament homepage on Future of Europe.

Anghel S, Dinan D, and Drachenberg R, From Rome to Sibiu – The European Council and the Future of Europe debate, EPRS, European Parliament, April 2018.

ENDNOTES

[1] The term 'discussions' is used to refer both to Commission initiatives and to deliberations of the Presidents of the European Commission, the Euro Summit, the Eurogroup, the European Central Bank and the European Parliament.

[2] The 'social dimension' of the EU has been developed gradually since the Treaty of Rome. Article 3(3) of the Treaty on European Union includes the concept of achieving a highly competitive social market economy. The horizontal social clause (Article 9 of the Treaty on the Functioning of the European Union) places balanced economic growth and sustainable development on a par with full employment, a high level of social protection, equality, promotion of social justice and respect for diversity.

[3] This is already showing progress, in the form of the preparatory action on defence research (launched on 11 April 2017).

[4] The 2014-2020 MFF amounts to €1.09 trillion, or roughly 1 % of EU gross domestic product (GDP).

[5] Communication on a new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020, COM(2018) 98, European Commission, 14 February 2018.

[6] See: Future financing of the EU. Final report and recommendations of the high-level group on own resources, December 2016.

[7] E. Bassot, Future financing of the Union, Ten issues to watch in 2018, EPRS, European Parliament, January 2018.

[8] For more see: J. Haas and E. Rubio, Brexit and the EU Budget: threat or opportunity?, Notre Europe – Jacques Delors Institute, policy paper, January 2017.

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