

## Outlook for the informal European Council meeting of 12 February 2015

*Measures on the fight against terrorism and radicalisation are likely to be the priority item for discussion – in the presence of the EP President, Martin Schulz – at the informal European Council, meeting of Heads of State or Government, on 12 February in Brussels. Following Commission President Jean-Claude Juncker's analysis of the current state of the Economic and Monetary Union, European leaders will also discuss the state of the European economy and will once again discuss the situation in the Ukraine and Russia's involvement. This European Council is also the first at which Greece will be represented by its new Prime Minister, Alexis Tsipras.*

### 1. Events leading up to the February Summit

Events leading up to the February Summit included Belgian Prime Minister Charles Michel's request for a formal Summit meeting (not granted) in order to decide on how to better coordinate measures against terrorism and radicalism, following the January Paris terrorist attacks.

Without physically meeting,<sup>1</sup> on 26 January 2015, the 28 Heads of State or Government issued a statement on the situation in eastern Ukraine. The text noted "evidence of continued and growing support given to the separatists by Russia, which underlines Russia's responsibility", and urged Russia to condemn the separatists' actions, and to implement the Minsk Protocol. Making reference to the European Council Conclusions of 18 December, the leaders asked the Foreign Affairs Council (FAC) meeting on Thursday 29 January in Brussels to consider "any appropriate action, in particular on further restrictive measures", with a view to further deliberation at the upcoming European Council meeting on 12 February 2015.

Although the newly elected Greek government at first issued a statement saying that it did not agree, and requesting more time, it did not oppose the Foreign Affairs Council (FAC conclusions following the meeting on 29 January, which extended the duration of restrictive measures against Russia until September 2015.<sup>2</sup> In a press statement on 4 February, following a meeting with Prime Minister Tsipras, which dealt

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<sup>1</sup> Normally European Council decisions require a physical meeting of the 28 Heads of State or Government. For urgent matters a *written procedure* may be used (Article 7 of the Rules of Procedure of the European Council). This procedure is initiated following a proposal from the President and requires the agreement of all European Council members (with voting rights) to agree on the procedure. Another way of achieving decisions, used in the Council although not explicitly mentioned in the European Council's rules, is the *silence procedure*, whereby the Council, on the initiative of the Presidency, acts by means of a simplified written procedure, used for certain purposes (Article 12 of the Council's rules of procedure), including the Common Foreign and Security Policy (CFSP). The relevant text is deemed to be adopted, if at the end of the period laid down by the Presidency no member has objected. While there have been previous statements on the same subject matter (a statement on sanctions against Russia and a statement on the EU-Ukraine Association Agreement), these have been made either by the President of the European Council in his own name, or on behalf of the European Council.

<sup>2</sup> In his statement after the 29 January FAC, Greek Foreign Minister Nikos Kotzias said: "The Council agreed – in line with our fundamental thinking – that Europe should today pursue the implementation of the Minsk agreement through dialogue with Russia, a partner we must engage in dialogue, and not through new sanctions". Imposing further sanctions on Russia requires unanimity of all 28 Member States. The Greek Parliament has not yet ratified the EU-

mainly with European financial assistance to Greece (see below), European Council President, Donald Tusk, said that they "agreed on the importance of unity within the European Union with regard to other key challenges facing Europe."

## 2. Measures against terrorism and radicalisation

The call for improved and additional measures at national and European level to combat terrorism and radicalisation intensified after the Paris attacks on 7 and 9 January 2015, at a time of wider debate across Member States and between the European institutions on the nature and extent of such measures. Given the importance of the discussions, President Schulz will remain present throughout.

The draft PNR (Passenger Name Record) directive will most likely be discussed once again in this context. There has been continued and growing pressure on the European Parliament since the European Council of August 2014 called on the European Parliament and Council to finalise their work towards its adoption.

### Background on PNR directive

The PNR directive's main purpose is to facilitate the identification of previously unknown suspects, by regulating the transfer to, and processing by, Member States of PNR data of passengers on international flights between a third country and a Member State. The EU PNR proposal was presented by the Commission in February 2011 under the ordinary legislative procedure. The draft directive was rejected by the LIBE Committee in April 2013. In June 2013, the Parliament's plenary decided to refer the matter back to the LIBE Committee in order to continue the search for an agreement. The November 2014 LIBE Committee debates emphasised the need to assess the Court of Justice's ruling regarding the annulment of the Data Retention Directive. In this judgment, the Court stated that the requirement to retain identity details of persons and communications, and access to these data by competent national authorities, seriously interfered with the fundamental right of respect for private life and the protection of personal data. The Court held that the EU legislature had exceeded the limits imposed by the proportionality principle. The EU has already signed agreements with the United States of America in 2012 and with Australia in 2011 regarding the use and transfer of Passenger Name Record (PNR) data by air carriers. A proposal for a similar new agreement with Canada is currently under scrutiny by the Court of Justice at Parliament's request.

At the Justice and Home Affairs Council meeting of 5 December 2014, ministers called on the Parliament to adopt a position on PNR as soon as possible. On 11 January the ministers of the interior and/or justice of a number of countries, including 11 EU Member States, EU Commissioner for Migration and Home Affairs Dimitris Avramopoulos and European Counter-Terrorism Coordinator Gilles de Kerchove issued a joint statement condemning the Paris attacks, and reiterating the crucial and urgent need to move forward with the PNR framework. On 17 January 2015 de Kerchove said that Member States and EU institutions are all committed to engaging with MEPs as a matter of priority. The issue was also raised with European Parliament President Schulz at the start of the December European Council.

The reinforcement of existing, as well as additional, measures in the fight against terrorism and radicalisation will most likely be proposed by the European Council, following the Joint statement of EU Home Affairs Ministers (11 January 2015), the input of EU Counter-Terrorism Coordinator Gilles de Kerchove as well as discussions at the Informal Justice and Home Affairs Council of 29-30 January 2015. This informal European Council is expected to concentrate on improving the security of citizens, through increasing detection and screening of travel movements at the external borders; reducing the supply of illegal firearms; improving intelligence sharing; measures to cut off terrorists' financial resources; and improving the exchange of information and cooperation between national agencies, involving Europol and Eurojust.

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Ukraine Association Agreement approved by the European Parliament on 16 September 2014 (all six SYRIZA MEPs and the ANEL MEP, the coalition partner of SYRIZA in the new Greek government, voted against).

Other equally important measures to combat terrorism are likely to focus on *preventing radicalisation and safeguarding values*, through countering terrorist propaganda, in particular on the internet, and on communication strategies to promote tolerance, as well as cooperating *internationally*, by the *alignment* of the internal and external policies of the European Union in the fight against terrorism and radicalism<sup>3</sup>.

### 3. Situation in Ukraine

According to the recently released indicative agenda for the informal European Council on 12 February, European leaders are expected to take stock of the latest developments in Ukraine, but leaving it to the European Council in March to further address Russian sanctions and the overall situation in Ukraine.

As noted above, following the recent escalation of violence and the attack on the city of Mariupol in eastern Ukraine, a statement was issued on 26 January in which EU Heads of State or Government threatened to impose new sanctions on Russia.

An emergency Foreign Affairs Council (FAC) was held on 29 January, at which the Council agreed to extend, "in full compliance with the requirements of EU law", the restrictive measures targeting persons and entities threatening or undermining the sovereignty and territorial integrity of Ukraine. These measures were originally adopted in March 2014, were later updated, and have now been extended until September 2015. The Council also called on the Commission and the High Representative to present a proposal on additional listings for a decision at the FAC meeting on 9 February. The FAC furthermore tasked the High Representative, in cooperation with EU institutions and Member States, to improve strategic communication regarding EU policies, including correction of any inaccuracies or misrepresentations in information. The Council reiterated its call that Russia should immediately start fulfilling its commitments under the Minsk Agreements.

In the immediate aftermath of the most recent outbreak of violence on Ukraine's territory, Commission Vice-President for the Euro and Social Dialogue Valdis Dombrovskis and US Treasury Secretary Jack Lew emphasised again, on 26 January, the importance of coordinating EU and US sanctions against Russia. Since then, EU Member States' ambassadors in Brussels prepared on Thursday (05/02) further visa bans and an asset freeze in respect of a further five Russian citizens (Russia's deputy Defence ministers, two senior Defence ministry officials, and two MPs).

At the same time, Chancellor Angela Merkel and President Francois Hollande held separate talks with Ukraine President Poroshenko on Thursday 5 February and with President Putin the following day with the aim of finding a diplomatic solution to the escalating Ukraine conflict 'based on the "territorial integrity" of Ukraine. Simultaneously, U.S. Vice-President Joe Biden met with top European leaders in Brussels on Friday to discuss boosting security and financial aid to Ukraine and tightening economic sanctions on Russia.

### 4. Deepening of EMU

In December 2014, EU leaders tasked the European Commission with the preparation of an analytical note on the deepening of EMU ahead of the informal European Council of February 2015. During the 2015 European Parliamentary Week, Commission President, Jean-Claude Juncker, revealed that this note provides an analysis of the causes of the crisis. The Commission argues in favour of fiscal responsibility while promoting growth- and job-enhancing policies at national and EU level.

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<sup>3</sup> The Commission pledged to present a new programme in the fight against terrorism in May 2015, but Member States pressed the Commission to move this forward to mid-April.

After an exchange of views based on this analytical note, the European Council will discuss the state of play in the deepening of EMU. It is expected, in particular, to call for stronger coordination of fiscal policies. The President of the Commission, in close cooperation with the President of the Euro Summit, the President of the Euro Group and the President of the European Central Bank (the so-called "Four Presidents") will continue working on this issue and report back to the European Council meeting in June 2015.<sup>4</sup>

## 5. The recently elected Greek government and the Greek 'new deal'

The February European Council meeting will be the first at which Greece is represented by its new Prime Minister, Alexis Tsipras. The current Greek EU bailout programme expires at the end of February,<sup>5</sup> and the new Greek government has made clear that it wishes to negotiate a new deal with creditors and to remain in the eurozone.

Recently, Greece's Finance Minister, Yanis Varoufakis, and Prime Minister, Alexis Tsipras, have met with several European leaders in order to build support for a proposal to swap outstanding debt for two types of new bonds. According to news sources, the first, indexed to nominal economic growth, would replace EU loans, while bonds held by the European Central Bank (ECB) would be swapped for so-called "perpetual bonds". The Greek new deal would be accompanied by tax reforms and other structural reforms.

In a press statement following his meeting with Tsipras on Wednesday 4 February, European Council President, Donald Tusk, addressed the issue of European financial assistance to Greece and "stressed the need to find a solution acceptable to all Member States involved in the negotiations." Those negotiations will take place in an extraordinary Euro Group meeting scheduled for 11 February, one day ahead of the European Council. Another Euro Group meeting was already scheduled for Monday 16 February. On 4 February 2015, the ECB Governing Council decided it could no longer accept Greek government bonds as eligible collateral in monetary policy operations.

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<sup>4</sup> In a recent speech, Commissioner Pierre Moscovici put forward six ideas for building a "genuine EMU" in the medium to long term, in line with the Commission's Blueprint and the Four Presidents' report of December 2012. Economic and budgetary coordination should be further streamlined and reinforced consistent with the Commission's suggestions on the European Semester process contained in the 2015 Annual Growth Survey. Second, instruments to incentivise structural reforms should be further enhanced, as the implementation of structural reforms is crucial to boosting growth and employment. Third, a euro area fiscal capacity could be set up with a view to better absorbing shocks and, consequently, ensuring macroeconomic stabilisation alongside deeper coordination of fiscal policies. Fourth, there is room for improving democratic legitimacy and accountability, involving further the EP and national parliaments. Fifth, the Commissioner for Economic and Financial Affairs should become the Eurozone Finance Minister. Lastly, the Commission intends to table a proposal later this year to strengthen the external representation of the EMU in international economic organisations and fora such as the IMF.

<sup>5</sup> In 2010 and 2012, two Financial Assistance Programmes were designed in order to rescue Greece from bankruptcy and to keep it in the eurozone. In total Greece received around €240 billion in the two bailouts, the largest economic rescue programmes in the EU. In exchange, the country committed to implementing an economic adjustment programme created in dialogue between the national authorities and the Troika (IMF, ECB and European Commission). The adjustment programme has led to unexpectedly high unemployment, poverty and hardships. Whilst the economic indicators from 2013 and 2014 show signs of recovery, Greece's financial situation remains fragile. Two substantial repayments of bonds held by the ECB are due in July (€3.5bn) and in August (€3.2bn).

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