

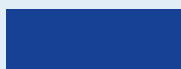


European
Commission

The EU in 2018



GENERAL REPORT ON THE ACTIVITIES
OF THE EUROPEAN UNION



On the cover

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1. A tram emblazoned with the InvestEU campaign image. InvestEU is the final part of this Commission's Investment Plan for Europe, which bypassed its investment target of €315 billion in July 2018. (© European Union)
2. Council President Donald Tusk, British Prime Minister Theresa May, German Chancellor Angela Merkel, US President Donald Trump, Canadian Prime Minister Justin Trudeau, French President Emmanuel Macron, Japanese Prime Minister Shinzō Abe, Italian Prime Minister Giuseppe Conte and Commission President Jean-Claude Juncker pose for a group photo during the G7 summit in Quebec, Canada, 8 June 2018. (© European Union)
3. Climate activist Greta Thunberg speaking at the United Nations COP24 Climate Change Conference in Katowice, Poland, 4 December 2018. (© Associated Press)
4. Antonio Tajani, President of the European Parliament. (© European Union)
5. Jean-Claude Juncker, President of the European Commission. (© European Union)
6. Donald Tusk, President of the European Council. (© European Union)
7. Commission President Jean-Claude Juncker and US President Donald Trump at a press conference on EU-US trade relations at the White House, Washington, United States, 25 July 2018. (© European Union)
8. World leaders gather during the ceremony marking the First World War armistice centenary, Paris, France, 11 November 2018. (© European Union)
9. Council President Donald Tusk, Japanese Prime Minister Shinzō Abe and Commission President Jean-Claude Juncker after the signing of two landmark agreements between the EU and Japan, Tokyo, Japan, 17 July 2018. (© European Union)
10. The European Economic and Social Committee hosts the first European Citizens' Panel, which was convened to prepare a public consultation on the Future of Europe. A group of 96 European citizens from 27 Member States worked together to draft a 12-question online consultation, Brussels, Belgium, 5-6 May 2018. (© European Union)
11. MEPs during a plenary session of the European Parliament, Strasbourg, France. (© European Union)
12. 1A meeting of the College of Commissioners, Brussels, Belgium. (© European Union)
13. A European Council Summit, Brussels, Belgium. (© European Union)

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European Commission President
Jean-Claude Juncker

In 2018 we celebrated what it is to be European. The European Year of Cultural Heritage brought to life Europe's rich diversity and celebrated the principles that unite us: the values that we share, the peace and freedom that were so hard won, the rule of law and the respect for human rights and human dignity that can never be taken for granted.

There were reminders throughout the year of just how much was sacrificed for these values and rights. We commemorated together the centenary of the end of the First World War, which cost the lives of so many millions. We celebrated together the 100th anniversary of several of our Member States who claimed their freedom at the end of the war. We remembered together the 70th anniversary of the Universal Declaration of Human Rights. And we honoured together the 50th anniversary of the Prague Spring.

All of this reminds us how far we have come but also how much we must remain vigilant in the fight for freedom and democracy. And it brought into sharp focus the responsibility of our generation to leave a stronger, more united and more democratic Europe to our children. This has been the driving force of the European Commission over the last year, as we continue to deliver on the things that matter the most. The results speak for themselves.

The European economy is firmly back on its feet and continues to grow. More Europeans are in work than ever before, with 239 million people currently in work. Twelve million of those jobs have been created since the start of this Commission. Youth unemployment is at its lowest since 2008, although still too high. And investment is back, thanks to the €370 billion worth of investments triggered by the Juncker Plan.

The European Single Market, at 25 years old, goes from strength to strength. Many barriers have been removed but more can be done. We have made everyday life easier for Europeans — from movie and music subscriptions that travel with you across the EU, to better protection for holidaymakers and ending discrimination for online shoppers.

Our trade agreement with Canada is already showing positive results and we can expect the same from the deal we signed with Japan in July. Almost 74 000 EU companies are already exporting to Japan — selling everything from biscuits to fireplaces — and providing jobs to more than 600 000 Europeans.

The new Africa–Europe Alliance for Sustainable Investment and Jobs that I announced in September during my State of the Union address will take the EU’s partnership with Africa to the next level. It would help create up to 10 million jobs in Africa in the next five years alone.

We continue to make the EU a safer place to live and work. We have taken action to remove the means for terrorists to commit their crimes and are tackling terrorist content online. New rules are helping law enforcement officers to better trace criminal networks and we are bolstering our defences against cyber-attacks. We are protecting Europeans online thanks to new data protection rules that came into effect in May. And we are helping to make the planet safer by making our roads safer and our air cleaner. Europe once again led the way in December in Katowice when the world agreed on a new rulebook to implement the Paris Agreement on fighting climate change.

Our migration policy is working. The numbers of people arriving has fallen dramatically; EU operations have helped rescue 690 000 people at sea since 2015 and we are taking our responsibility for helping refugees, both inside and outside our Union. At the same time, we are better protecting our border and have proposed to further strengthen the European Border and Coast Guard with an additional 10 000 European border guards by 2020. We are fighting the root causes of irregular migration with partners across the world, while working to open legal pathways to the EU to attract highly skilled workers from other parts of the world.

As we look to the year ahead, we see a year of democracy and debate. The European elections in May will be, after the Indian general election, the second largest elections anywhere in the world in 2019. People of all ages across Europe are making their voices heard as never before, and it is the duty of parliamentarians, governments and policymakers to engage as never before.

This is why I made debate and dialogue a top priority for this Commission, because Europe belongs to us all, and every European should be able to shape the future of our Union. I was honoured to take part in the 1 000th Citizens’ Dialogue in Freiburg, Germany in October and I look forward to seeing the debate continue across our Union throughout the year.

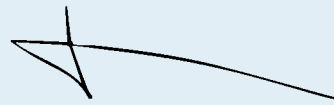
The main message from this debate is that Europeans expect their Union to deliver for them. They do not care about proposals but about how actual laws improve their lives. This will be our driving force until the very last day of our mandate. There is still a lot more work to do: all the proposals and initiatives on our 10 priorities that we announced in 2014 are on the table. Our focus is firmly on delivering them.

This will be the best message for Europeans to take to the polls. And it will be the best symbol for leaders to take to the informal Summit in Sibiu on

9 May 2019. It will be a time to set the priorities for the new Union of 27 for the next five years and to back up that ambition by agreeing in principle on a long-term EU budget that will deliver on the promises that have been made.

Sibiu, the elections and all of 2019 will be decisive for our Union in many ways. It is an opportunity for us to build solid foundations for the future, to show that Europe is listening to its citizens, and to deliver on the things that matter the most.

This is our duty to those who sacrificed so much for us. And it is our responsibility to all of those that will follow.

A handwritten signature in black ink, consisting of a series of connected strokes that form a stylized, elongated shape.

Jean-Claude Juncker



A new boost for jobs, growth and investment

'My first priority as Commission President will be to strengthen Europe's competitiveness and to stimulate investment for the purpose of job creation.'

Jean-Claude Juncker, political guidelines, 15 July 2014

Europe's economy performed well in 2018 and looks set to keep growing. After nearly 6 years of continuous growth, Member States are also showing an increasing degree of economic convergence, which benefits people in all parts of the EU. The Commission has delivered on the promise to get more people into work. Investment has almost returned to pre-crisis levels and the state of public finances in terms of debt and deficit levels has improved significantly.

The gross domestic product of the euro area and the wider EU were both expected to increase by 2.1 % in 2018, with every country in the EU expected to see its economy grow.

More Europeans were in work than ever before, with 12.4 million new jobs created

since 2014, unemployment dropping to 6.8 %, and youth unemployment back to its 2008 level. The Investment Plan for Europe has mobilised over €370 billion in investment across Europe since 2015, significantly more than targeted. As a result, the European Fund for Strategic Investments is expected to support an estimated 1.4 million new jobs by 2020 while the EU's gross domestic product will be boosted by an estimated 1.3 %.

Household incomes continued to rise while public debt levels fell. In 2018 government deficits in the EU were expected to fall to 0.6 % of gross domestic product, down from 6.2 % in 2009, and the ratio of government debt to gross domestic product was expected to fall to 81.4 % from 88.3 % in 2014. Inflation is steady at 1.7 %.

In 2018 European banks continued to get stronger, less encumbered by bad loans, and better prepared to withstand potential economic shocks.

However, despite all these positive developments, it needs to be underlined that the outlook for the global economy has deteriorated amidst trade tensions and geopolitical uncertainties, and the risks to the European economy have increased.

The Investment Plan for Europe

In 2015 the European Commission, together with the European Investment Bank Group, launched the Investment Plan for Europe, with the European Fund for Strategic Investments at its core. This was a new and innovative approach to funding. The Fund was created with an initial €21 billion of risk-bearing capacity from the EU and the European Investment Bank Group, which in turn attracts other sources of private funding in particular. Given its undisputed success, the Fund was further improved in 2018, extended until the end of 2020 and its investment target raised from €315 billion to at least €500 billion. New rules also make it easier to combine financing from the Fund with the European Structural and Investment Funds and other sources of EU financing.

ROBUST GROWTH AND INCREASED INVESTMENT

In recent years, Europe has moved from economic recovery to expansion.

The EU and euro area beat expectations in 2017, with growth at

2.4 %

in both areas, the **fastest rate in a decade**

All Member States recorded growth in 2018



ECONOMIC GROWTH in the EU and euro area



The EU and euro area have now grown for

22

consecutive quarters

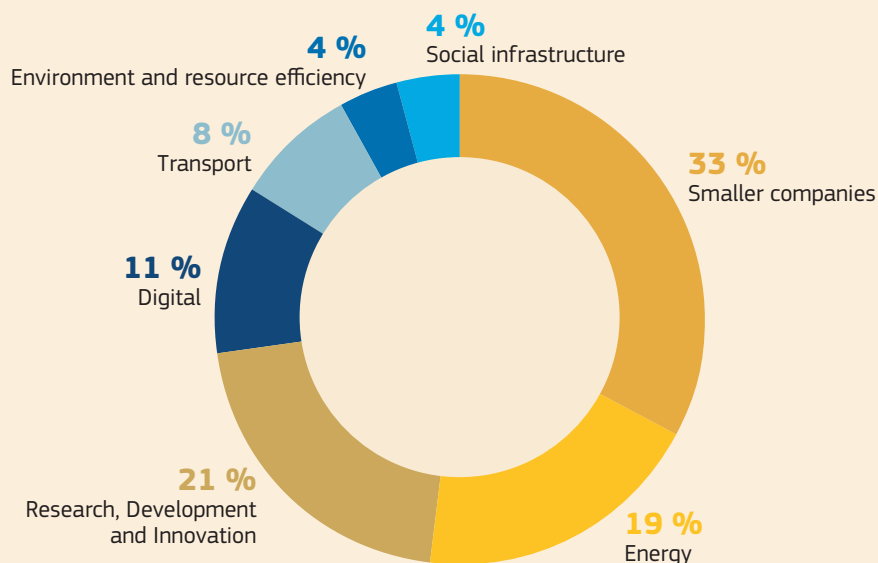
Growth is expected to be around

1.8 %

in the EU and the euro area in 2019 and 2020

EUROPEAN FUND FOR STRATEGIC INVESTMENTS: INVESTMENT BY SECTOR

November 2018



The EU's commitment to boosting jobs, growth and investment yielded tangible results in 2018. The Investment Plan has exceeded its original target and expectations and has now mobilised over €370 billion in investment across Europe since 2015, two thirds of which come from private sources. Thanks to the backing of the European Fund for Strategic Investments, 856 000 small and medium-sized businesses are set to benefit from improved access to finance. Estimates show that the Fund has already supported more than 750 000 jobs, while 1.4 million new jobs are set to be created by 2020. The Investment Plan has already increased EU gross domestic product by 0.6 %, a figure set to reach 1.3 % by 2020.

Since its launch, the Investment Plan has helped finance the rollout of high-speed broadband internet to 15 million households, renovate or build half a million affordable homes and improved healthcare services for 30 million Europeans. It has supplied 7.4 million households with renewable energy and improved rail and urban infrastructure for the 95 million passengers who use it every year. [All Member States are benefiting](#), especially those that were hardest hit by the crisis.

The success of the Investment Plan has been supported by the [European Investment Advisory Hub](#), which provides tailored support to hundreds of project promoters, and the [European Investment Project Portal](#), which provides an easily accessible pipeline of mature projects for potential investors.

Economic and fiscal policy

Economic growth and job creation in Europe are also supported by the EU's economic and fiscal governance rules. Economic policy coordination in the EU is organised annually in a cycle known as [the European Semester](#). It is launched towards the end of each year with, among other things, the publication of the [Annual Growth Survey](#) and a proposal for a recommendation on the economic policy of the euro area. In March 2018 the European Commission published Country Reports analysing the economic and social challenges facing each Member State, apart from Greece, which was still benefiting from a stability support programme.

For the first time, the [Country Reports](#) put a special emphasis on the priorities of the [European Pillar of Social Rights](#), adopted in November 2017. In 2018 particular attention was paid to analysing challenges related to the skills of the workforce and how national social safety nets operate. Overall, the reports showed that Member States had achieved at least 'some progress' on more than two thirds of the policy recommendations made last year.

Since the European Semester cycle of policy coordination began in 2011, Member States have made most progress in financial services and in fiscal policy and fiscal governance. Significant progress has also been made in addressing access to finance, in employment protection legislation and frameworks for labour contracts.

In May the Commission made policy recommendations to each Member State based on its analysis in the Country Reports. These 'country-specific recommendations' focused on strengthening the foundations for sustainable and inclusive growth in the long term. The Commission called on Member States to take advantage of the positive economic environment to pursue structural reforms that improve the business environment and conditions for investment, especially through product and service market reforms, supporting innovation, improving small and medium-sized enterprises' access to finance and fighting corruption.

Member States were also advised to strengthen their economic resilience to long-term challenges, such as demographic trends, migration and climate change.

The Commission also recommended that countries carry out reforms that prepare their workforces for the future, including future forms of work and increasing digitalisation; reduce income inequalities; and create employment opportunities, particularly for young people.

To support Member States in their reforms, the Commission also proposed the creation of a Reform Support Programme, currently being discussed by the European Parliament and Member States, to support priority reforms with an overall budget of €25 billion and provide financial as well as technical support and advice.

In May the Commission also concluded its review of the guidance it issued on the EU's fiscal rules in 2015. According to the review, the Commission's guidance on flexibility has helped to strike the right balance between ensuring prudent fiscal policy and stabilising the economy. Estimates suggest that this approach helped boost EU gross domestic product by 0.8 % over the last 4 years and resulted in the creation of 1.5 million jobs.

The aggregate deficit level in the euro area was expected to fall to 0.6 % of gross domestic product in 2018, down from a peak of 6.2 % of gross domestic product in 2009. The debt-to-gross domestic product ratio is expected to fall from 91.8 % in 2014 to 86.9 % in 2018.

The European Commission also took a number of steps under [the Stability and Growth Pact](#) in May. This included recommending that the [Excessive Deficit Procedure](#) be closed for France. With France out of the procedure, the only Member State subject to the enforcement procedures of the EU's fiscal rules in 2018 was Spain. This compares with as many as 24 countries in 2011. After many difficult years, Greece successfully concluded its stability support programme, with its place at the heart of the euro area and European Union secured.

The European Commission also continued to provide post-programme support to those countries that benefited from financial assistance during the crisis: Ireland, Spain, Cyprus, Portugal and Romania.

In March 2018, the [European Fiscal Board](#), an independent advisory body of the European Commission, issued a [statement](#) expressing concerns about the planned relocation of the independent Danish Economic Council away from the Copenhagen area. In June 2018, the Board urged Member States, especially those with high levels of public debt, to take advantage of the positive economic environment to strengthen public finances. In October 2018, the Board published its [second Annual Report](#). This included a review of how the Stability and Growth Pact, the commonly agreed rules of fiscal policymaking, had been implemented in the 2017 assessment cycle, complemented with suggestions on how to simplify the Pact and to make it more effective.

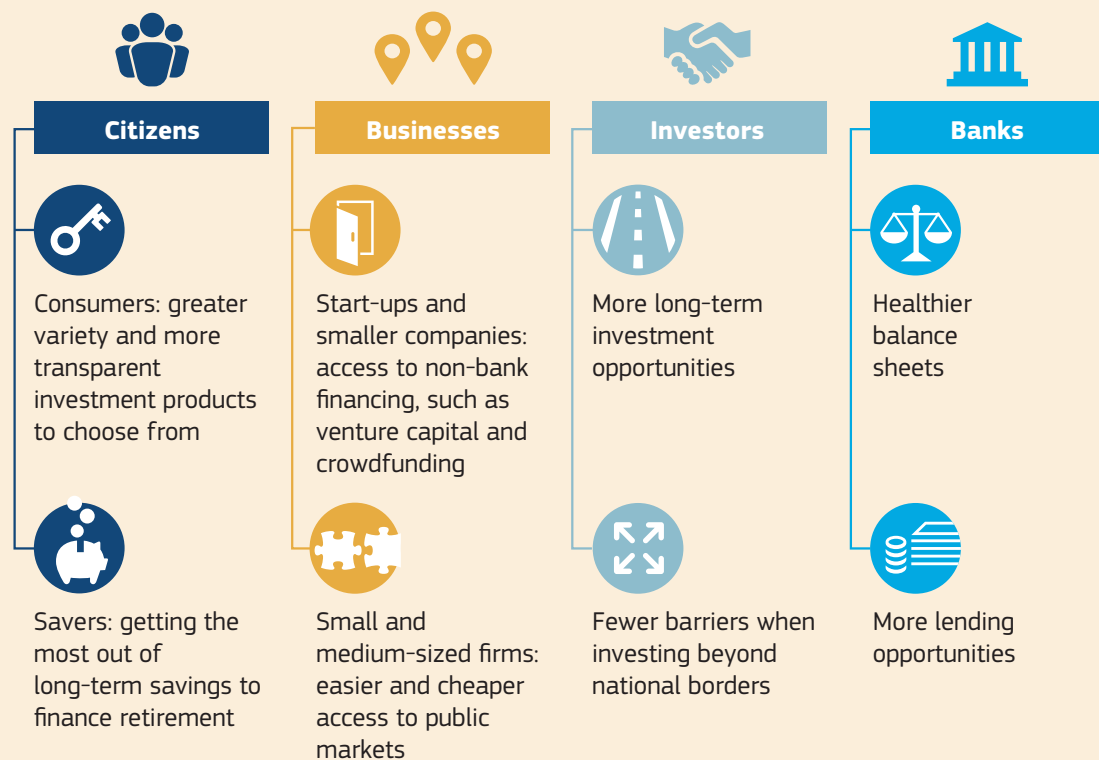
The European Commission's [Annual Growth Survey](#), published in November, found that Europe's economy is set to continue expanding in 2019. Employment has already risen to a record level of 239 million people and unemployment has fallen back to pre-crisis levels (6.8 %), helping more than 10 million people out of poverty or social exclusion. The growth of the economy, however, is not benefiting all citizens and countries in the same manner and remains vulnerable to global instability and medium to long-term challenges.

Completing the Capital Markets Union

The [Capital Markets Union](#) is one of the Commission's main priorities. It complements the Banking Union, the strengthening of the Economic and Monetary Union and the international role of the euro. The Capital Markets Union is also complementary to the Investment Plan for Europe in strengthening Europe's economy and stimulating investments to create jobs. It aims to mobilise and channel capital to all businesses in the EU, particularly small and medium-sized enterprises that need resources to expand and thrive.

In May the Commission proposed new rules to give small and medium-sized enterprises better access to financing through public markets. This initiative should help EU companies to tap into market-based funding more easily and cheaply so that they can expand. Other proposals will boost the cross-border market for investment funds, promote the EU market for covered bonds as a source of long-term finance and ensure greater certainty for investors in cross-border transactions of securities and claims. At the moment there is no legal certainty as to which national law applies when determining who owns a claim after it has been assigned in a cross-border case. The proposed new rules clarify

WHO BENEFITS FROM THE CAPITAL MARKETS UNION?



under which law such disputes are resolved. It is now up to the European Parliament and the Council to turn these and other proposals into law as rapidly as possible, to make the Capital Markets Union a reality.

The Commission and the European Investment Fund (part of the European Investment Bank Group) have also launched a pan-European Fund-of-Funds Programme for venture capital based on a call for expression of interest. Backed by EU funding of €410 million, the six participating funds aim to raise up to €2.1 billion of public and private investment. In turn, this should trigger an estimated €6.5 billion of new investment in innovative start-up and scale-up companies across Europe, doubling the amount of venture capital currently available in Europe. The limited and unevenly developed EU venture capital markets are consistently mentioned as a factor holding back the innovation and expansion of EU companies.

In June new rules were also adopted by the Commission [to stimulate insurers' investments in simple, transparent and standardised securitisation](#). This securitisation is an important channel for diversifying funding sources and enabling a broader distribution of risk across financial market participants. These rules complement already agreed rules to stimulate insurers' investments in simple, transparent and standardised securitisation.

At the end of 2018, the Parliament and the Council reached a political agreement on the core elements of the pan-European personal pension product, a voluntary scheme for saving for retirement for citizens, including in a cross-border context. The personal pension product will offer additional retirement investment opportunities for citizens who so wish, complementing existing public and occupational pension systems.

Promoting undistorted competition to support growth and investment

The EU's competition policy ensures that companies are welcome to invest in and do business in the Single Market, as long as they adhere to EU competition rules. In 2018 the Commission continued to enforce competition rules for the benefit of households and businesses, ensuring a level playing field and a wider choice and better prices for consumers.

In December new rules and tools were adopted to enable national competition authorities to enforce EU antitrust rules even more effectively.

During the year, the Commission took 393 merger decisions, 10 antitrust decisions, 4 cartel decisions and 219 State aid decisions, generating significant benefits for EU consumers and supporting growth. In total, the Commission imposed fines of over €6.3 billion on companies found to be in breach of EU competition rules and ordered the Member States concerned to recover an estimated €1 billion in unlawful and incompatible aid from beneficiary undertakings. 91 % of State aid cases were dealt with under simplified rules through the General Block Exemption Regulation, meaning that State aid can be granted at local, regional and national level without any involvement at all from the Commission.

Sustainable growth to create jobs and help the environment

As part of broader efforts to improve the sustainability of Europe's economy, in January the Commission [adopted](#) a new Strategy for Plastics aimed at transforming the way we design, produce, use and recycle plastics. Under the new plans, all plastic packaging on the EU market would have to be recyclable or reusable by 2030, consumption of single-use plastics would be reduced, and the intentional use of microplastics would be restricted.



Frans Timmermans, First Vice-President of the European Commission, takes part in a beach clean-up initiative with young scouts in The Hague, the Netherlands, 23 July 2018.

A legislative proposal was made in May to tackle marine litter at its source by targeting the 10 plastic products that most often end up in the oceans, as well as lost and abandoned fishing gear. In December the European Parliament and the Council reached a provisional political agreement on the new EU Directive on Single-use Plastics, the most ambitious legal instrument at global level addressing marine litter. It envisages different measures to apply to different product categories. Where alternatives are easily available and affordable, single-use plastic products such as plastic cutlery, plates, or straws, products made of oxo-degradable plastic and food and beverage containers made of expanded polystyrene will be banned from the market. For other products, the focus is on limiting their use through a national reduction in consumption; on design and labelling requirements; and waste management/clean-up obligations for producers.

Also in May, the Council [adopted](#) new rules on waste to make the EU the global leader in waste management and recycling. Member States will now be required to recycle at least 55 % of their



Commission Vice-President Jyrki Katainen, at a recycling plant for PET bottles in Tokyo, Japan, 23 October 2018.

municipal waste by 2025, 60 % by 2030 and 65 % by 2035. Other approved measures included a 10 % cap on landfill by 2035, mandatory separate collection of biowaste, and stricter schemes to make producers pay for the collection of key recyclables.

Following an EU-wide pledging campaign as part of the European Plastics Strategy, in November the European Commission provided a preliminary assessment that shows that EU industry is significantly committed to recycling plastics — at least 10 million tonnes of recycled plastics could be supplied by 2025 if the pledges are fully delivered. However, on the demand side, only 5 million tonnes are expected so far, demonstrating that more will be needed to achieve the objective of a well-functioning EU recycled plastics market.

Work also continued on improving the sustainable, ‘circular’ management of water resources and on making drinking water safer for all Europeans. In February the Commission [proposed](#) a revision of the Drinking Water Directive to upgrade drinking water standards, improve access to water for all and help consumers to find reliable information about its supply. The proposal was also a response to the first-ever successful European Citizens’ Initiative, ‘Right2Water’, which received the support of 1.6 million people. The aim is to encourage consumers to choose tap water over bottled water and thereby save money, reduce plastic waste entering our rivers and seas, and lower greenhouse gas emissions.

In spring 2018 the Commission also put forward proposals on sustainable finance, aiming to ensure that the financial sector plays its role in the green transition by investing in a more sustainable way.

The blue economy

The ‘blue economy’ includes all rule-based, sustainable economic activities related to our oceans, seas or coastal areas — from fisheries, shipbuilding and tourism to ocean energy and blue biotechnology. In 2018 the Commission published its first Annual report on this fast-growing economic sector, which is set to double in size globally by 2030. The report highlights that the blue economy generates more than €560 billion a year in turnover, employs more than 3.5 million people and is a fast-growing sector in many countries. Spain accounts for one fifth of total employment in the sector, followed by Italy, the United Kingdom and Greece. Combined, these four Member States account for more than half of jobs related to the blue economy.

Regional and urban policy

Regions and cities can play a powerful role in supporting growth, jobs and investment. In 2018 the EU continued to invest in policies to strengthen competitiveness and job creation, promote social inclusion and support small and medium-sized enterprises in regional and local contexts. Several initiatives and strategies were implemented to spur growth and innovation on a larger scale, including a new set of actions in 2018 to further help Europe’s regions invest in their niche areas of competitive strength, known as ‘[smart specialisation](#)’.

These actions include continued support to the lagging regions initiative and the implementation of a new initiative targeting regions in industrial transition. In this framework, pilot actions in 2018 in 10



Commissioner Corina Crețu during her visit to Lamia, Greece, 4 October 2018.

regions and two Member States will receive expert advice and financial support from the European Regional Development Fund and the European Observatory for Clusters and Industrial Change.

The Commission has also selected five cohesion policy programmes to take part in a new pilot action on improving administrative capacity. Programmes in Greece, Poland, Spain, Croatia and Bulgaria are receiving tailored support to improve how they operate. The European Investment Advisory Hub carried out a study on investment platforms in the outermost regions to help improve their access to the Investment Plan. In addition, task forces have been set up on energy in Réunion and on waste management in the Canary Islands, and Horizon 2020 is funding a project to foster research excellence in all outermost regions.

Connecting Europe

The [Connecting Europe Facility](#) blending call, combining grants with financing from the European Fund for Strategic Investments, the European Investment Bank, national promotional banks or private-sector investors, resulted in the selection of 35 projects in the field of safe, clean and intelligent mobility that will receive €405 million in grants. Another call for proposals, worth €290 million supported projects aimed at developing [the Single European Sky](#) and European aviation. Some €9.5 million under the Single European Sky ATM Research Joint Undertaking (SESAR) will finance a range of U-space drone demonstrations, focusing on the safe and secure integration of drones into the aviation system.

Helping small and medium-sized enterprises find funding, new partners and new markets

Small businesses are the backbone of the EU's economy. Every year the EU supports small businesses with various types of financing and advice services. In recent years, the EU has made great progress in improving access to finance for small businesses in Europe. The EU has already helped provide more than €20.3 billion of financing to around 381 000 small businesses under [COSME](#), the EU's programme for the competitiveness of small and medium-sized enterprises complemented by the European Fund for Strategic Investments.

Boosting research, innovation and technology

Scientific excellence and breakthrough innovation

During the year, Horizon 2020 launched calls for proposals and other actions worth a total of €10 billion to support research and innovation. Examples include a new call for proposals to invest almost €200 million in developing next-generation batteries that will help drive the transition towards a decarbonised society; almost €1 billion to connect economic and environmental gains in support of the EU's Circular Economy package; and some €200 million to look into the root causes of irregular migration and feed into the European Agenda on Migration.



Commissioner Carlos Moedas announces Athens as the winning city of the European Capital of Innovation award at the Web Summit in Lisbon, Portugal, 6 November 2018.

In addition, to stimulate public–private cooperation in financing clean energy innovation, an agreement signed with the Bill and Melinda Gates Foundation in autumn 2018 established a €100 million fund targeting EU innovators and companies with the potential to achieve significant and lasting reductions in greenhouse gas emissions.

The [European Open Science Cloud](#), a virtual environment to store, share and reuse data across disciplines and borders, was officially launched in 2018, enabling an estimated 1.7 million researchers and 70 million professionals to access a growing volume of open data.

The EU in space

Building on the 2016 [Space Strategy for Europe](#), the EU continued to develop the space infrastructure that underpins the economy and so much of our daily lives. In June 2018, the Commission proposed a €16 billion Space Programme that would further enhance the EU's leadership in space.

The [Copernicus](#) Programme is the biggest provider of Earth observation data in the world, helping address diverse challenges, such as natural disasters and climate change. The launch of the [seventh Copernicus satellite](#) in 2018 has improved our ability to monitor oceans, land and the atmosphere. The Copernicus [Data and Information Access Services](#), also launched in 2018, allow innovative start-ups and other users to access, process and download data easily and without having to invest in expensive data storage and processing facilities.

THE EU SPACE SECTOR AT A GLANCE

Space technology, data and services have become indispensable in people's lives and play an essential strategic role for Europe. Europe has a world-leading space industry.



The space sector employs over **231 000** people.



The sector's value was estimated at **€53–62 billion** in 2017, the second highest in the world.



A third of the world's satellites are made in Europe.



The sector keeps upgrading the family of European launchers with next generation **Ariane 6** and **Vega C**.

For the next EU budget 2021–2027, the European Commission wants to **increase investment, adapt to new needs and technologies and reinforce Europe's autonomous access to space**.

Galileo, the EU's satellite navigation programme, provides precise positioning, navigation and timing services and can be used by the latest generation of smartphones resulting in greater accuracy than previous GPS-only systems. With **four new satellites launched** in 2018 (named after children who won a drawing competition), Galileo's performance has improved and it has moved closer to becoming a fully independent, autonomous satellite positioning system, attracting 500 million users worldwide. Galileo's signals are used by traffic and railway management, aircraft navigation, banking and farming, and they pave the way for autonomous cars.



Commissioner Elzbieta Bieńkowska visits the European Spaceport in Kourou, French Guiana, ahead of the Galileo satellite launch, 25 July 2018.

In November the US Federal Communications Commission decided to grant a licence waiver for Galileo signal reception in the United States. This means that citizens and businesses in the US will be able to benefit from Galileo's state-of-the-art satellite navigation signals — be it for connected cars, smart watches, farming or aircraft navigation.

Galileo's accuracy is a major factor in the effectiveness of the eCall system, which helps to locate a car in case of emergency. eCall has been mandatory in all new types of cars in the EU since 31 March 2018 and helps to cut emergency services' response time by up to 60 %. In December the Commission adopted new measures to help locate people in emergency situations more accurately thanks to Galileo's signals, making rescue efforts more effective. Under the new rules, all smartphones sold in the EU will be able to send the precise location of the person who calls the 112 emergency number to the emergency services taking the call.

Because access to space is strategically important, the EU aims to reinforce its autonomy in this area. In 2018 a competition was launched to award **€10 million** to the most commercially viable solution offering dedicated low-cost launch services for light satellites. The InnovFin Space Equity Pilot initiative brings together around €110 million in funding to stimulate investment in the space sector, by increasing the amount of risk capital available for SMEs and midcaps.

European Defence Technology

In 2018 the European Union invested €40 million towards the funding of collaborative research in innovative defence technologies and products under the preparatory action on defence research.

In July the EU adopted the new European Defence Industrial Development Programme to provide the European defence industry with financial support during the development phase of new products and technologies in areas selected at European level. It foresees a budget of €500 million during 2019 and 2020 to co-finance collaborative defence capability development projects.

Investing in people

In 2018 the EU adopted a Recommendation on a framework for quality and effective apprenticeships. It contains criteria to promote ensuring good learning and working conditions for apprentices throughout the EU.

In April the EU simplified and modernised the [Europass CV](#), which will help people to present their skills and qualifications in a more visible and understandable way right across the Single Market. It will also enable policymakers to better anticipate labour market needs and trends.

Reforms to education and training systems are a high priority in most Member States and featured prominently in the 2018 European Semester. Twenty Member States received a country-specific recommendation in the area of education and training.

Effective education and training systems are of critical importance to provide young people with the knowledge, competences and skills to find fulfilling work and become independent, engaged citizens. They also play a crucial role in giving workers the opportunity to upgrade their skills to cope with changing working methods and the needs of the labour market and help increase productivity and growth.

To advance its work on building a [European Education Area](#) by 2025, in the first half of 2018, the Commission presented six concrete policy measures. In May 2018 the Council adopted Recommendations on [Key Competences for Lifelong Learning](#) to help more people acquire the core set of skills necessary to live and work in the 21st century and on promoting [common values, inclusive education and the European dimension of teaching](#). In November 2018 it adopted measures on the automatic [mutual recognition](#) of qualifications and the outcomes of learning periods abroad. Discussions continue on early childhood education and care and the teaching and learning of languages. Implementation of an action plan to improve the digital skills of EU citizens and the use of new technologies in teaching and learning is also ongoing.

Connecting people

Europe celebrated the [European Year of Cultural Heritage](#) in 2018, encouraging more people to discover and engage with Europe's rich and diverse cultural heritage, and to reinforce a sense of belonging to a common European space. Over 7.5 million people took part in more than 13 000 events organised across 37 countries. To ensure that the European Year has a lasting impact beyond 2018, on 7 December the Commission presented [60 actions](#) related to the promotion and protection of cultural heritage in the longer term.

In 2018, with a budget of more than €2.7 billion, the [Erasmus+ Programme for education, training, youth and sport](#) enabled around 600 000 young people and 190 000 members of staff from



Commissioner Tibor Navracsics speaking at a forum on the International Dimension of the European Year of Cultural Heritage, Brussels, Belgium, 23 April 2018.

ENRICHING LIVES, OPENING MINDS

It is proposed to double funding for the Erasmus programme to provide even more learning opportunities abroad.



Source: A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework 2021-2027.

educational institutions and youth organisations to participate in learning activities. In March the Commission added an online version to its mobility actions with the launch of [Erasmus+ Virtual Exchange](#), a project to promote intercultural dialogue and improve the skills of at least 25 000 young people through digital learning tools. In May the Commission proposed to double Erasmus funding to €30 billion in the next long-term budget 2021-2027, tripling the number of people it could support.



Commissioner Günther Oettinger (centre) welcomes members of the 'Wheels for Europe' initiative, a group of motorcyclists and classic car drivers promoting the European idea by touring around Europe, Brussels, Belgium, 11 October 2018.

DiscoverEU

Between July and October 2018 around 15 000 young people had the opportunity to explore Europe with a [DiscoverEU](#) travel pass. This new initiative enabled them to better understand Europe's diversity, enjoy its cultural richness, make new friends and get a sense of their European identity. In November young people had another opportunity to apply for free tickets to travel in 2019. The Commission has proposed to greatly expand the scheme post-2020.

The European Solidarity Corps

In October the [European Solidarity Corps](#) got a boost when the EU adopted a self-standing [legal base](#) for this initiative and it received a budget for the next 3 years. By the end of December, almost 100 000 young people had registered and 11 000 had engaged in solidarity activities across Europe. In June, the Commission proposed a new programme for the European Solidarity Corps beyond 2020, with a budget of €1.26 billion to broaden the opportunities it offers. This would allow at least 350 000 young Europeans to support communities in need through volunteering (including support to humanitarian aid operations in non-EU countries), traineeships and job placements between 2021 and 2027.

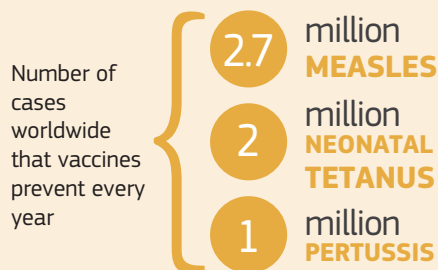
Protecting people's health and helping the economy

In December 2018 European Health Ministers adopted the [Recommendation](#) proposed by the Commission to strengthen EU cooperation in the fight against diseases that can be prevented by vaccines. The recommendation focuses on three main pillars: tackling reluctance to vaccinate and improving vaccination coverage; sustainable vaccination policies in the EU; and EU coordination and the contribution to global health.

The [Health at a Glance: Europe 2018](#) report, published in November by the Commission and the Organisation for Economic Cooperation and Development, calls for improving mental health and preventing mental illnesses that not only have social consequences but are also estimated to cost more than 4 % of gross domestic product across the EU. The report also shows that the steady increase of life expectancy has slowed down and that large gaps across and within countries persist, notably leaving people with a low level of education behind. It also calls for the addressing of risk factors like smoking, alcohol and obesity, reducing premature mortality, ensuring universal access

PROTECTING HEALTH, SAVING LIVES

EU cooperation against vaccine-preventable diseases



VACCINATION IN THE EU

Influenza vaccination coverage rates among people aged 65+



UK	71 %
ES	56 %
EU	43 %
LV	4 %
EE	3 %

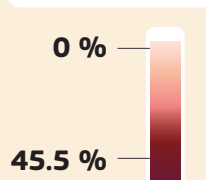
INFECTIOUS DISEASES ON THE RISE

More than 14 000 measles and 696 rubella cases in 2017

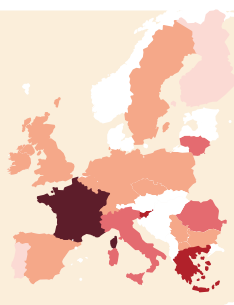


RO	— 5 608 measles
IT	— 5 098 measles
DE	— 929 measles
EL	— 967 measles

DISTRUST IN VACCINES



'I think vaccines are not safe.'



EU ACTION

- Ensure **access** to vaccines for all
- Control all vaccines to ensure the **highest safety standards**
- Share **clear, independent** and **transparent** information
- More **research** to develop new vaccines



Commissioner Vytenis Andriukaitis speaks at the World Heart Federation launch of the White Paper on Circulatory Health during the 73rd UN General Assembly in New York, United States, 25 September 2018.

to care, and strengthening the resilience of health systems. With the report, the Commission kicked off the second State of Health in the EU knowledge cycle, which analyses and shares comparative data and insights into health and health systems in the EU and supports health authorities in their evidence-based policymaking.

The 2-year 'State of Health' cycle was prepared by the European Commission in close cooperation with the Organisation for Economic Cooperation and Development and the European Observatory on Health Systems and Policies.

The EU continued to aim at protecting health and safety at work with a [proposal](#) to limit workers' exposure to five more cancer-causing chemicals. This is aimed at strengthening protection for over 1 million workers in Europe.

In an effort to protect bees and pollinators, further restrictions were adopted on the use of three [neonicotinoids](#), which are active substances chemically similar to nicotine used in plant protection products. A complete ban on using these products outdoors entered into force in December 2018 and their use indoors was limited to permanent greenhouses. This was complemented by the first-ever EU initiative to address the decline of wild pollinating insects.

An EU budget focused on results

The 2018 EU budget focused on delivering on Europe's priorities by stimulating job creation, especially for young people, and by boosting growth and strategic investments. It also continued to support efforts to tackle migration and security challenges, both inside and outside the EU.

Nearly half of the funds committed (€77.5 billion) went towards strengthening the European economy, job creation and increasing the global competitiveness of companies, researchers and universities. EU funding supported agriculture and rural areas (common agricultural policy), regions (European



Commission Vice-President Jyrki Katainen at a fair dedicated to projects financed by the European Fund for Strategic Investments, Brussels, Belgium, 26 October 2018.



69 % of respondents

consider that the European Union project offers a future perspective for Europe's youth

Source: Eurobarometer, November 2018.

Regional Development Fund, European Social Fund, Cohesion Fund), research and innovation (Horizon 2020), small and medium-sized enterprises (Competitiveness of Enterprises and Small and Medium-sized Enterprises), education, training and youth (Erasmus+), transport and digital infrastructure (Connecting Europe Facility).

The Youth Employment Initiative addressed the challenge of youth unemployment by committing €350 million to provide young people with support and better opportunities to find jobs. An additional €2 billion was provided in 2018 for the European Fund for Strategic Investment to further pursue the successful mobilisation of private investments in strategic European projects. €59.2 billion contributed to promoting sustainable growth through support for farmers, fisheries, climate and biodiversity.

The EU's long-term budget 2021-2027

In May, following months of consultations with Member States and European citizens, the Commission presented its proposal for the 2021-2027 long-term budget.

This was followed by a complete set of proposals for sectoral programmes and funds. This proposal for a long-term budget is the translation into budgetary figures of the EU's objectives for the coming decade, as agreed by EU leaders in February 2018. The proposed budget combines new instruments with modernised programmes to deliver efficiently on the EU's priorities. It provides the means to find appropriate answers to major challenges including youth unemployment, migration, security and technological and digital transformation. The proposals include a simplified budget that forges a stronger link with the political priorities (see also the dedicated chapter on 'The future long-term budget of the EU').

InvestEU

Given the success of the Investment Plan for Europe, the European Commission proposed that all the EU's financing programmes in the next long-term budget (2021-2027) should follow the same model. The many financing programmes currently offered by the EU would be brought under one roof: the [InvestEU Programme](#). Like the Investment Plan, the InvestEU Programme would consist of a fund, an advisory hub and an investment portal. The InvestEU Fund would have a €38 billion guarantee from the EU budget to support strategically important projects across the EU in sectors such as sustainable infrastructure; research, innovation and digitisation; small and medium-sized companies; and social investment and skills. It is estimated that the Fund would trigger over €650 billion in additional investment over 7 years.

Boosting research, innovation and technology

The Commission also plans to boost investment in research to keep Europe at the forefront of global research and innovation, with a proposed budget of €100 billion for research and innovation between

2021 and 2027 under the new Horizon Europe Programme. The Commission has proposed that the EU invest **€16 billion** under the EU Space Programme to help develop its leadership in space. The Commission proposes a budget of €13 billion for the European Defence Fund. This will place the EU among the top four defence research and technology investors in Europe.

Agriculture and the maritime economy for growth

The Commission has proposed to maintain strong support for EU farming and rural areas by allocating €365 billion to the common agricultural policy for the period 2021–2027. [The common agricultural policy proposals](#) focus on the simplification and modernisation of the policy to keep it fit for the



Commissioner Phil Hogan visits the Harvest Festival in Cluj-Napoca, Romania, 14 September 2018.

future. In addition to the traditional objectives of farm income, food security and environmental protection, the plans also address new societal demands such as safe, nutritious and sustainable food, combating food waste and animal welfare. The plans also propose a new partnership between the EU and its Member States. In the future, while the elements needed to achieve the EU's common objectives and the smooth functioning of the Single Market will be defined at EU level, Member States will be able to choose and design policy measures to suit the needs of their farmers and rural areas.

The Commission has also proposed a new €6.14 billion [European Maritime and Fisheries Fund](#) to strengthen support for the maritime economy, while promoting simplification and a stronger focus on results. The Fund will enable investment in new maritime markets, technologies and services such as ocean energy and marine biotechnology. Coastal communities will receive more support and the Fund will also continue to support the European fisheries sector, with a particular focus on helping small-scale fisheries.

The future of cohesion policy

With a budget of €373 billion proposed by the Commission, the [proposals for cohesion policy funds](#) focus on modernising Europe's economy, making it smarter, greener and more connected, and moving to a low-carbon economy. Rules would also be simplified, with one set of rules covering seven funds, and procedures made more flexible.

Investing in people

The Commission has proposed to further strengthen the Union's social dimension through a new and improved European Social Fund. The new ESF+ would amount to €101.2 billion, a significantly higher share of the overall Cohesion budget than is the case at present. It would give more visibility and impact to social investment. In particular, the combination of ESF+, Erasmus and European Solidarity Corps potentially more than doubles the funds dedicated to supporting young people, compared to the current financial framework. While the European Globalisation Adjustment Fund would be revamped, its scope would be widened and its ceiling increased to €225 million per year compared to €170 million per year in the current period.



A connected Digital Single Market

'I believe that we must make much better use of the great opportunities offered by digital technologies, which know no borders.'

Jean-Claude Juncker, political guidelines, 15 July 2014

2018 was another successful year for Europe's Digital Single Market Strategy, which is well on its way.

In 2018 agreement was reached on 23 legislative proposals and seven are still under negotiation. The Commission proposed new initiatives on supercomputing, ehealth, disinformation, public sector information, the transparency of online platforms, artificial intelligence and blockchain. The Commission also proposed investment in digital transformation and new measures to support media freedom, pluralism and literacy.

In September President Juncker announced proposals to strengthen the EU's cybersecurity capabilities and in December, an agreement was reached on the Cybersecurity Act proposed by the Commission in 2017. This

reinforces the mandate of the EU Agency for Cybersecurity and establishes an EU framework for cybersecurity certification, boosting the security of online services and consumer devices.

Progress was made on legislation to facilitate access to content online and e-commerce and on proposals to modernise EU copyright rules, e-privacy and digital contracts, giving consumers and businesses clear rights. Measures covering audiovisual media services, free flow of data and the Single Digital Gateway were agreed. In December the new European Electronic Communications Code entered into force, providing an updated regulatory framework for electronic communications to encourage investment in very high-capacity networks and protect users in the digital age.

Since 1 April 2018, Europeans have been able to access the online content they subscribe to at home, wherever they are in the EU, and their personal data is protected by the new General Data Protection Regulation which came into effect in May.

The EU continued to fight anti-competitive behaviour in the digital field, fining Qualcomm for abusing its market dominance in certain chipsets and Google for illegal practices related to the Android operating system.

To ensure a continuously stronger Digital Single Market and to keep the EU at the forefront of digital transformation, the Commission proposed a new €9.2 billion Digital Europe Programme as part of the EU's next long-term budget.

Delivering on the Digital Single Market

Of the 30 legislative initiatives presented by the European Commission since 2015, 23 have been agreed between the European Parliament, the Council of the European Union and the European Commission. There remain seven Commission proposals on the table that the European Parliament and the Council need to approve to further build the Digital Single Market.



Commissioner Mariya Gabriel participating in EU Code Week, Brussels, Belgium, 15 October 2018.

Several major digital initiatives came into force in 2018. January saw the launch of the EU-wide awareness campaign [#SaferInternet4EU](#) on online safety, media literacy and cyber-hygiene. In September, the EU legislation on electronic identification (eIDAS Regulation) entered into force. In October, Member States implemented rules that facilitate access to printed material in formats adapted for people with visual impairment or other disability, and in December new rules came into force banning unjustified geo-blocking in online sales within the Single Market.

Films and music without frontiers

Since April 2018, thanks to new portability rules, Europeans have been able to access the online content (audiovisual and music) they have subscribed to at home, wherever they are in the EU. In May, the Commission announced the creation of an [online directory of European films](#) to increase the visibility of European cinema. [A prototype](#) was released in October.

In June 2018 the European Parliament, Council and Commission reached a political agreement on revised rules for a fairer regulatory environment for the entire audiovisual sector, including on-demand services and video-sharing platforms. The rules promote European audiovisual productions and guarantee the independence of audiovisual regulators.

Safer and easier online shopping

The [new Regulation](#) on cross-border parcel delivery services, important for e-commerce, entered into force in May. High prices for cross-border parcel delivery are an obstacle for consumers and retailers, especially small and medium-sized companies, who want to buy and sell online across the EU.

Boosting trust online and building the Digital Single Market

The rules on electronic identification for electronic transactions in the internal market have entered into force offering Europeans a new freedom: to rely on a notified electronic identification means to securely access digital services provided everywhere across Europe ranging from enrolling in a foreign university, accessing electronic health records, registering a company and filing tax returns online to digitally opening a bank account.

New rules have been in place since December 2018 banning unjustified geo-blocking and other forms of discrimination based on a customer's nationality, place of residence or place of establishment.

TRAVEL WITH YOUR ONLINE CONTENT ACROSS THE EU

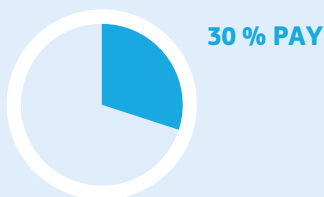


Half of Europeans access the internet with their mobile devices

Europeans want to **access online content they have subscribed to while on the move in other EU countries**. This has been legally possible since 1 April 2018, and follows the success of the **abolition of roaming charges in June 2017**.

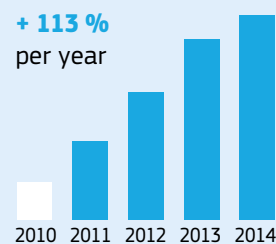
More and more Europeans buy music and video online, especially through subscriptions:

30 % of Europeans who access films, TV series and other video clips online pay to view them by subscribing to an online service or by purchasing and renting them item by item.



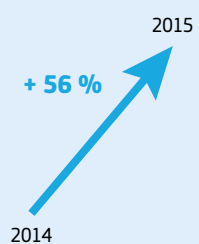
Europeans who access films, TV series and other video clips online (2017)

Consumer spending on video subscription services rose by **113 %** per year between 2010 and 2014.



Consumer spending on video subscription

The number of users grew by **56 %** between 2014 and 2015.



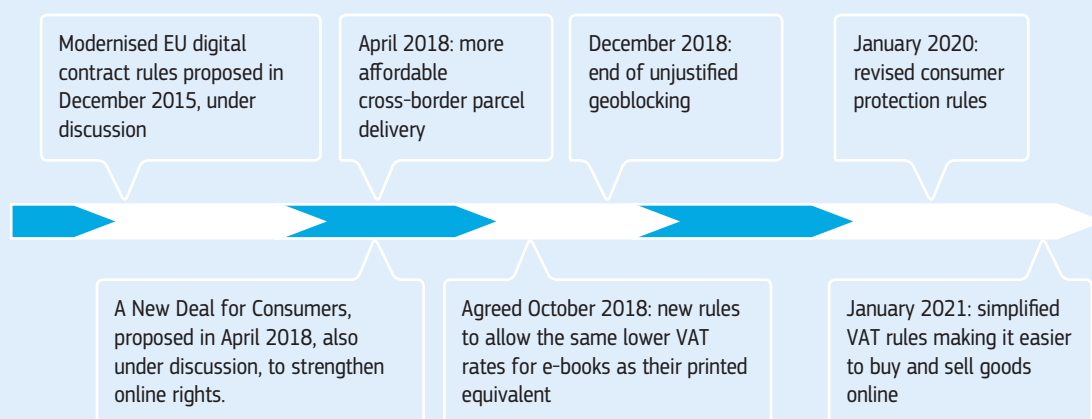
Users

Problem solved!



In the past, many European consumers could not access online content services they had **legally bought** in their home country when travelling across the EU. This was especially the case for films, series and sports broadcasts. **As of April 2018, this is no longer the case.**

WHAT THE EUROPEAN UNION HAS PROPOSED TO IMPROVE E-COMMERCE FOR CONSUMERS: A TIMELINE



They allow people and businesses to access websites from other Member States and to access the same goods and services as local customers. The Commission also presented an interim report on the effects of the abolition of retail roaming surcharges that entered into force in 2017.

Unlocking the full potential of the EU's data economy

Breaking down barriers will help the value of the EU's data economy to double between 2015 and 2020 from 1.9 % to 4 % of gross domestic product. It is forecast that 10.4 million people will be employed in the EU data economy by 2020. Removing existing data localisation requirements will

THE POTENTIAL OF THE DATA ECONOMY

The European data economy can become a powerful lever to drive growth, create new jobs and open up new business models and innovation opportunities.

Only 4 % of global data is stored in Europe. The value of Europe's data economy has the potential to top **€700 billion by 2020**, representing 4 % of the EU economy.

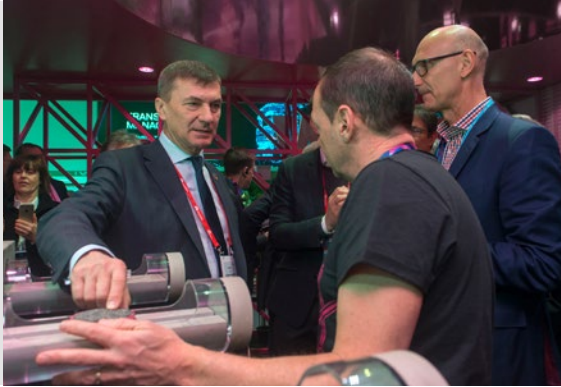
A completed Digital Single Market could add **€415 billion** to the European Union economy per year.

6 billion devices will be connected in Europe by 2020 (20 billion worldwide) — 10 times more than in 2016.



1.3 million new jobs could be created by 2025 through additional investments thanks to new EU telecoms rules. There were at least **350 000** unfilled positions for ICT professionals in the EU in 2018.

Europe could trigger maximum benefits from artificial intelligence if public and private sectors invest at least **€20 billion annually** between 2020 and 2030 in the technology. Artificial intelligence is expected to boost the global economy by up to **€13 trillion by 2030**.



Commission Vice-President Andrus Ansip visits an exhibition stand during the Mobile World Congress in Barcelona, Spain, 27 February 2018.

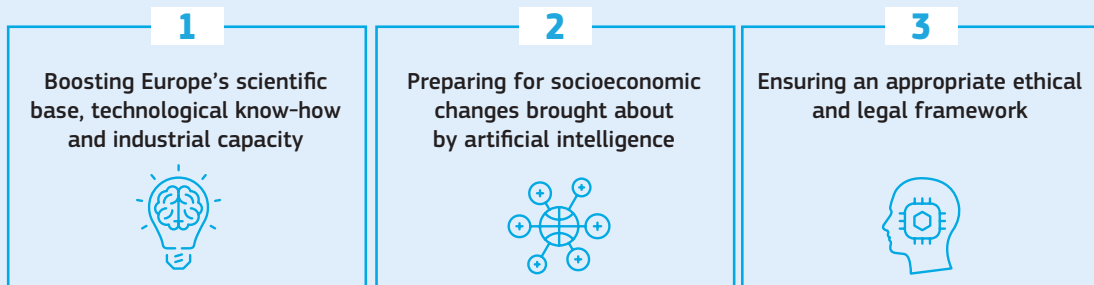
drive down the costs of data services and provide businesses with greater flexibility in organising their data management and data analytics, while expanding their use and choice of providers.

Artificial intelligence

Artificial intelligence is already part of our everyday lives — from helping doctors make faster and more accurate medical diagnoses to assisting farmers in using fewer pesticides on crops. It also helps public administrations to provide tailor-made responses to citizens and to reduce the number of traffic accidents. Artificial intelligence can also help fight climate change or anticipate threats.

WHAT IS THE EU'S ROLE IN ARTIFICIAL INTELLIGENCE?

A European approach on artificial intelligence will boost the European Union's competitiveness and ensure trust based on European values. It is based on 3 pillars:



In April the Commission proposed a European approach to increase public and private investment in artificial intelligence, prepare for related socioeconomic changes, and ensure that an appropriate ethical and legal framework is developed to cover liability issues around these new technologies. The approach aims to maximise the impact of investment at EU and national levels, encourage cooperation, exchange best practice and define the way forward together to ensure the EU's global competitiveness in this sector.

In June the Commission appointed the High-Level Expert Group on Artificial Intelligence and launched the [European AI Alliance](#), an online multi-stakeholder community open to anyone with an interest in artificial intelligence.

In December, as a follow-up to the April Communication, and in close collaboration with Member States, the Commission proposed a [coordinated plan](#) to boost the development and use of artificial intelligence 'made in Europe'. The [plan](#) aims to ensure complementarity and synergies between

national and EU-level actions to maximise impact and spread the benefits of artificial intelligence across Europe. The plan proposed joint actions in four key areas: increasing investment, making more data available, fostering talent and ensuring trust. It also provides a strategic framework for national artificial intelligence strategies. EU countries are encouraged to develop their national artificial intelligence strategies by mid 2019, building on the work done at European level.

In parallel, the Commission [awarded](#) €66 million to robotics projects that will help digitise small and medium-sized companies across the EU.

In December an independent group of 52 experts drafted [ethics guidelines](#) for the development and use of artificial intelligence which are open to consultation through the AI Alliance and will be finalised in 2019. The group will also present policy recommendations in spring 2019.

Building a world-class supercomputer infrastructure in Europe

In January 2018 the Commission unveiled plans to establish a European High Performance Computing Joint Undertaking. This new legal and funding structure will pool EU and national resources to build supercomputing and data infrastructure and support research and innovation in this area, with the aim of making Europe one of the top three supercomputing powers in the world. In September Member States backed the Commission's proposal, and the Joint Undertaking began operations in November. It will build and deploy this infrastructure across Europe (with financing proposed from the next EU long-term budget) to improve data-processing capacities for research and industry, and support innovation in supercomputing technologies, hardware and software. There will be benefits for many areas, from healthcare and renewable energy to car safety and cybersecurity.

Better access to and reusability of data

In April the Commission proposed to extend the Public Sector Information directive to data held by public undertakings and limit charges for the reuse of their data. The aim is also to facilitate the reusability of research data resulting from public funding, and oblige Member States to develop open access policies. The new rules require, where applicable, technical solutions to provide real-time access to data.

In April, as part of the 3rd Data Package, the Commission made a [new set of recommendations](#) to address technological changes on access to and preservation of scientific information. They offer guidance on implementing open access policies in line with open science objectives, research data and data management, the creation of a [European Open Science Cloud](#), and text and data mining. The recommendations also addressed incentives and the development of relevant skills for researchers to practise open science.

Free flow of non-personal data

In December [new rules](#) that will allow non-personal data to be stored and processed everywhere in the EU without unjustified restrictions came into force. The new rules remove barriers hindering the free flow of data, and will boost Europe's economy by generating an estimated growth of up to 4 % gross domestic product by 2020. Member States should have to communicate to the Commission any remaining or planned data localisation restrictions, which are allowed only in limited specific situations on grounds of public security in compliance with the principle of proportionality. Public authorities will be able to access data for scrutiny and supervisory control wherever it is stored or processed in the EU. The rules will also encourage the creation of codes of conduct for cloud services to facilitate switching between cloud service providers under clear deadlines.

Keeping up with blockchain

The Commission launched the [EU Blockchain Observatory and Forum](#) in February with the support of the European Parliament. It will monitor developments and promote the role of European

WHAT IS THE EUROPEAN UNION DOING FOR BLOCKCHAIN?



Financing Horizon 2020 Research and Innovation projects. So far **€83 million** has been allocated by the EU to blockchain related projects, and potentially up to **€340 million** could be committed **from 2018 to 2020**.



Actively **participating in international standardisation:**

- > ISO Technical Committee 307 on blockchain and distributed ledger technologies.
- > ITU-T Focus Group on Distributed Ledger Technologies.

Testing blockchain solutions (through proof of concept) and **piloting projects in support of EU policies** in areas like regulatory compliance, tax and customs, energy and identity management.

stakeholders in 'blockchain', technologies that store blocks of information which are distributed across the digital network.

.eu top-level domain name

In December agreement was reached on new rules governing the .eu top-level domain name, which was created in 2002 to make it easier for European businesses and citizens to participate in e-commerce and to boost the online Single Market. The review aims for a future-proof, flexible and transparent internet governance system, with stakeholders fully involved. One of the main innovations proposed is to allow EU citizens to register .eu domain names, wherever they live.

eHealth

In April the [Commission announced its ambitions on the digital transformation of health and care](#). The Commission will support EU cooperation in three priority areas: citizens' secure access to their health data, including across borders; personalised medicine and disease prevention through shared European data; and citizen empowerment with digital tools and person-centred care. As a first deliverable, several pioneering Member States will start exchanging ePrescriptions and digital Patient Summaries from early 2019. Meanwhile, by November 2018, 19 European countries had signed a declaration to provide cross-border access to their [genomic information](#).

Connectivity and digital entrepreneurship

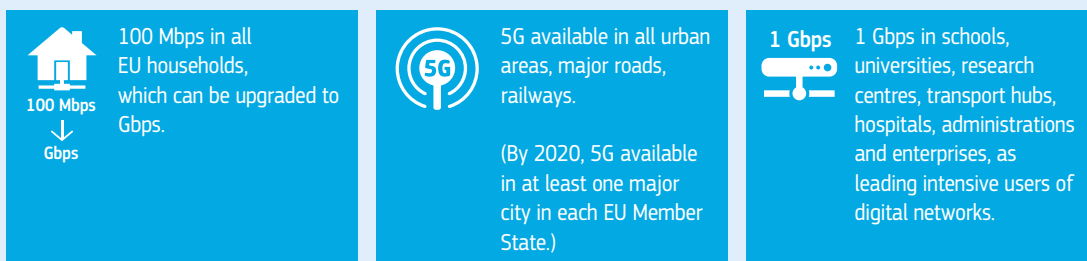
In January the Commission adopted its Digital Education Action Plan, which aims to ensure that all EU citizens benefit equally from the opportunities available online, at home, in school and in the workplace. Initiatives include supporting schools with high-speed broadband connections, scaling up a new self-assessment tool for schools on the use of technology for teaching and learning (Selfie) and the #SaferInternet4EU public awareness campaign. The campaign was launched on Safer Internet Day (6 February) to raise awareness of children's safety online and tackles issues including cyberbullying, fake news, sexting, harmful content, critical thinking, media literacy and digital skills, and good practice in cyber safety.

The EU's WiFi4EU initiative to bring public Wi-Fi hotspots to communities across Europe took a major step forward in November with the publication of its first call for proposals. The budget of the WiFi4EU scheme is €120 million between 2018 and 2020. It will support the installation of Wi-Fi equipment in public spaces such as parks, squares, public buildings, libraries, health centres and museums.

Investing in broadband

In June the European Parliament and the Council reached a [political agreement](#) to update the EU's telecoms rules. The new European Electronic Communications Code will boost investments in very high-capacity networks across the EU, including in remote and rural areas. The agreement on the Code included setting a time frame for Member States to allow the use (by 2020) of key radio frequency bands needed for the [development of 5G services](#). The Code entered into force in December. The European Commission also presented a [toolkit](#) to bring more broadband to remote and rural areas, where only 40 % of people have fast internet access compared to 76 % in the EU as a whole.

EU CONNECTIVITY TARGETS FOR 2025



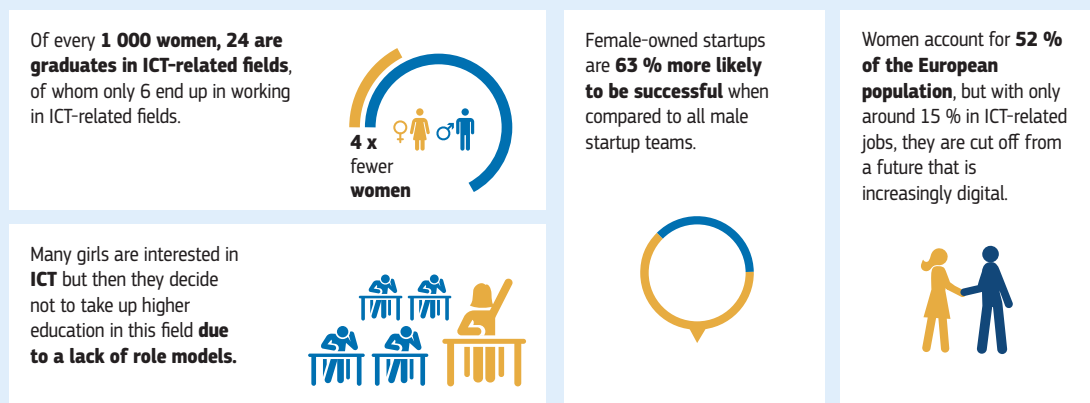
Digital Opportunity Traineeships

This EU-funded [training initiative](#) will help companies fill vacancies with candidates with digital skills. In April the Commission launched a pilot project financed by Horizon 2020 and managed by Erasmus+ for 6 000 internships in cybersecurity, big data, quantum technology, machine learning and digital marketing.

Women in Digital

Recognising that the gender digital gap has enormous social and economic implications, the Commission raised awareness of the importance of women's empowerment in our digital society by developing the Women in Digital Strategy. Its goal is to help unlock the full contribution that women

WE NEED MORE WOMEN IN TECH AND DIGITAL



can make to the digital economy by combating stereotypes in the media and promoting role models; promoting digital skills and education for women; and facilitating women's participation in digital entrepreneurship and innovation.

International cooperation

In February the Commission adopted the Western Balkans Strategy, which launched six flagship initiatives, including one designed to help the EU's six western Balkan partners make a success of the digital transition. The Digital Agenda for the Western Balkans was launched in June to bring the benefits of the digital transformation to the citizens of the region. It sets out an approach to lower roaming charges, invest in broadband connectivity, increase cybersecurity, trust and the digitisation of industry, strengthen the digital economy, and boost research and innovation.

In the context of the new Africa–Europe Alliance for Sustainable Investment and Jobs, the EU–African Union Digital Economy Task Force met for the first time in December and will issue recommendations by June 2019 on how to develop the Pan-African Digital Market connected to the EU's Digital Single Market.

A fair digital ecosystem

Ensuring fair competition in the online economy

In January the Commission fined Qualcomm €997 million for abusing its market dominance in Long-Term Evolution baseband chipsets, which enable smartphones and tablets to connect to cellular networks and comply with the 4G Long-Term Evolution (LTE) standard. The Commission also cleared, subject to conditions, the proposed acquisition of NXP by Qualcomm, two of the leading players in the semiconductor industry. In the media sector, the Commission cleared Comcast's acquisition of Sky in June. In the telecommunications sector, the Commission approved the acquisition of UPC Austria by T-Mobile Austria in July.



Commissioner Margrethe Vestager giving a press conference on the European Commission's antitrust case against Google, Brussels, Belgium, 18 July 2018.

In July the [Commission fined Google €4.34 billion](#) for breaching EU antitrust rules by imposing illegal restrictions on Android device manufacturers and mobile network operators to cement its dominant position in general internet search. The [Commission fined](#), in four separate decisions, consumer electronics manufacturers Asus, Denon & Marantz, Philips and Pioneer a total of over €111 million for imposing fixed or minimum resale prices on their online retailers in breach of EU competition rules.

In December the [Commission fined Guess](#) just under €40 million for restricting retailers from online advertising and selling cross-border to consumers in other Member States (geo-blocking), in breach of EU competition rules.

In September the Commission approved the [proposed acquisition of Shazam](#), a leading music recognition application, by Apple, which operates Apple Music, the second largest music streaming service in Europe. In November the Commission approved the proposed acquisition of parts of Fox by Disney, both US-based global media companies. The decision is conditional on full compliance with commitments offered by Disney to address the Commission's competition concerns. Also in November, the Commission approved the [proposed acquisition of Tele2 NL](#) by T-Mobile NL. The Commission's investigation concluded that the proposed transaction was unlikely to significantly impact the level of service or prices paid by Dutch mobile telecoms customers.

The Commission also adopted the first State aid decisions in relation to very high capacity networks for broadband, allowing Member States to support such networks, in particular, in specific target areas within Austria, Germany and the Netherlands.

Digital Taxation

In March the Commission proposed a reform of the EU's corporate tax rules for digital activities. The new measures also ensure that digital businesses pay fair taxes in the EU by making tax rules fit for the recent expansion in the digital economy.

Promoting the digitisation of financial services

In March the Commission adopted an [Action Plan](#) on technology-enabled innovation in financial services (FinTech) to help the financial sector to make use of rapid advances in areas such as blockchain, artificial intelligence and cloud services. It seeks to make markets safer and easier to access, for the benefit of consumers, investors, banks and new market players alike. As a first major deliverable, the Commission proposed new rules to help crowdfunding platforms grow across the EU's Single Market to improve access to funding, especially for start-ups and other small businesses. The rules will allow these platforms to apply for an EU label and offer their services across the EU, while investors will be protected by rules on information disclosure, governance, risk management and a coherent approach to supervision.

Fairness and transparency for users of online intermediation services

In April the Commission adopted a [proposal for a regulation](#) to promote fairness and transparency for business users of online platforms. It addresses harmful trading practices arising from unequal business relations between platforms and business users who depend on them to offer their goods and services to consumers in the EU. A newly created [Observatory](#), supported by a group of independent experts, will closely monitor the online platform economy and will advise the Commission on the need for future initiatives.

Building stronger cybersecurity and making the internet safer

The Directive on Security of Network and Information Systems became applicable in May 2018. It is the first EU-wide legally binding set of rules on cybersecurity and establishes a framework to ensure a high common level of security of network and information systems across the EU.

The Commission has proposed the creation of a [European Cybersecurity Industrial, Technology and Research Competence Centre and a Network](#) of National Coordination Centres. The aim is to help the EU maintain and develop the cybersecurity technological and industrial capacities necessary to secure its [Digital Single Market](#). The network will engage in the development of new cybersecurity capabilities and broader cybersecurity competence-building in the Member States. The proposal should help the EU and Member States take a proactive, longer-term and strategic perspective to cybersecurity industrial policy.

TODAY'S CYBER THREATS



+4 000 ransomware attacks per day in 2016.



80 % of European companies experienced at least one cybersecurity incident in 2017.



Security incidents across all industries **rose by 38 %** in 2017 — the biggest increase in the past 12 years.



In some Member States **50 % of all crimes committed** are cybercrimes.



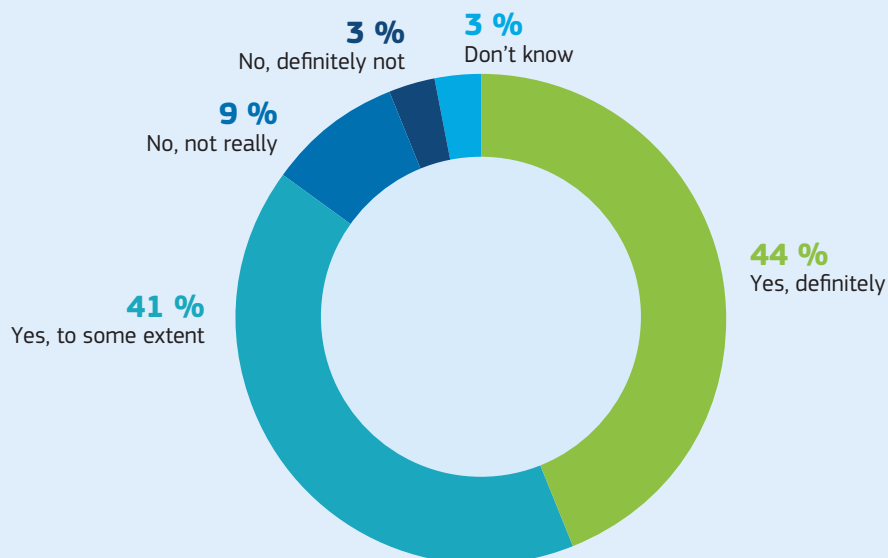
+150 countries and +230 000 systems across sectors and countries were affected by the Wannacry attack in May 2017, with a substantial impact on essential services connected to the internet, including hospitals and ambulance services.

Fighting online disinformation

In April the Commission proposed a [first set of measures to tackle disinformation online](#). This includes developing an EU-wide Code of Practice on Disinformation that was published in September, to be implemented by the signatories, among them large online platforms, ahead of the European elections in 2019. It also includes support for an independent network of fact-checkers, and promoting quality

FIGHTING ONLINE DISINFORMATION

In your opinion, is the existence of news or information that misrepresents reality, or is even false, a problem?



85 % of respondents thought that the existence of fake news is a problem in their country, at least to some extent. This view is consistent across Member States, with at least 70 % in every country seeing fake news as a problem in their country.

Source: Eurobarometer, 2018.

journalism and media literacy. The Facebook/Cambridge Analytica revelations demonstrated that personal data can be exploited in electoral contexts, as well as the impact it is having on the resilience of democratic processes. In September President Juncker announced [measures](#) for securing free and fair elections and an EU-wide Code of Practice on [disinformation](#). The Commission then asked representatives of online platforms and advertisers to [commit](#) to this code.

In December the Commission and the High Representative adopted an [Action Plan on Disinformation](#) that builds on the April Communication and the work of the East Strategic Communication Task Force of the European External Action Service, which was established in 2015 when the European Council first recognised the threat of Russian disinformation campaigns.

The Action Plan against disinformation focuses on four key areas to effectively build up the EU-wide capabilities to tackle disinformation: (a) improved detection, analysis and exposure of disinformation; (b) stronger cooperation between the Institutions and the Member States; (c) mobilisation of the private sector to address disinformation; (d) raising awareness and empowering citizens. Also in the context of the upcoming European elections, a Rapid Alert System will be set up by March 2019 between the EU institutions and Member States.

STEPS TAKEN TO COUNTER DISINFORMATION



The European Commission launched a public consultation which received almost 3 000 replies from private citizens and legal entities

85 % of Europeans think fake news is a problem in their country.

68 % of Europeans come across fake news at least once a week.



Communication 'Tackling online disinformation: a European approach' adopted on 26 April 2018

Scrutiny of ad placements, and disrupting the advertising revenues of accounts and websites that spread disinformation

1

Addressing the issue of fake accounts and online bots

3

Empowering consumers to report disinformation and access different news sources, while giving prominence to authoritative content

5

Making political advertising and issue-based advertising more transparent

2

Empowering the research community to monitor the spread and impact of online disinformation

4



EU-wide Code of Practice on disinformation presented on 26 September 2018

EU-wide Code of Practice on disinformation

1

Independent EU network of fact-checkers

2

Secure and resilient election processes

3

Media literacy

4

Quality journalism

5

The EU's long-term budget 2021-2027

To ensure the European Union remains at the cutting edge of [digital transformation](#), the Commission has proposed a new Digital Europe programme with a budget of €9.2 billion (2021 to 2027). The programme will include funds to support five specific areas: high performance computing; artificial intelligence; cybersecurity and trust; digital skills; and digital transformation and interoperability. The digital part of the Connecting Europe Facility will reinforce Europe's broadband infrastructure (including 5G) to connect communities across the EU (€3 billion). Other funds, such as InvestEU and those for regional development and cohesion policy, will complement these investments in digital strategy.

Horizon Europe will fund digital research and innovation in industry (€15 billion) and other areas such as security, health, mobility, energy and the environment. Creative Europe will fund the Media Programme and additional measures to support media freedom, media pluralism and media literacy (€1.2 billion).

'I want to reform and reorganise Europe's energy policy into a new European Energy Union ... We need to strengthen the share of renewable energies on our continent ... A binding 30 % objective for energy efficiency by 2030 is to me the minimum if we want to be credible and forward-looking ... This is not only a matter of a responsible climate change policy. It is, at the same time, an industrial policy imperative.'

Jean-Claude Juncker, political guidelines, 15 July 2014

© Fotolia



A resilient Energy Union with a forward-looking climate change policy

The EU's vision to create a European Energy Union and place Europe at the forefront of energy efficiency, clean and renewable energy production and the fight against climate change is becoming a reality. EU climate and energy policies are accelerating public and private investment in innovation and modernisation, creating green jobs, and enabling all citizens to benefit from the transition to a modern and clean economy.

The EU has shown that the world can count on Europe for climate leadership. It is the first major economy to translate its promises under the Paris Agreement on climate change into binding laws. At the UN Climate Conference in Katowice in December, the EU played an instrumental role in making the Paris Agreement operational, with the adoption

of a clear rulebook that will turn it into climate action at all levels worldwide.

With the Commission presenting its vision for a prosperous, modern, competitive and climate-neutral economy by 2050, the EU further demonstrated its commitment to ambitious climate action that goes hand in hand with economic modernisation and a better quality of life.

In 2018 the EU continued to take action to meet its commitments. It set ambitious new renewable energy and energy efficiency targets, while new rules and sources of investment came into force to make buildings more energy efficient. A robust governance system based on national energy and climate plans was agreed, as well as new rules

for making the EU's electricity market work better. All this will underpin the Energy Union and ensure its objectives are achieved.

Good progress was made on strong rules to decarbonise and modernise the transport sector, while the agreement on synchronising the Baltic States' electricity grid with the continental European network is a major milestone in creating a more connected and better integrated EU energy market.

A strategic vision for a climate-neutral Europe by 2050

In Europe, as elsewhere, the impact of climate change has become hard to ignore. Temperature rise in Europe is already higher than the global average. While 2018 was a particularly bad year for droughts, we have had extreme heatwaves in 4 of the last 5 years. In summer 2018 temperatures in the Arctic Circle were 5 °C higher than normal, while central Europe was so dry that the Rhine was too shallow in places for inland navigation. Adapting to our changing climate is inevitable and we need to move from a logic of progressively reducing emissions to a goal of near-zero greenhouse gas emissions.

The Intergovernmental Panel on Climate Change confirmed that urgent acceleration of global climate action is needed. The world will have to go to net zero greenhouse gas emissions by around 2070 to limit temperature increase to 1.5 °C. To show global leadership and reap the benefits of first mover advantage, the EU would have to achieve greenhouse gas neutrality by 2050, as proposed in the EU long-term strategy.

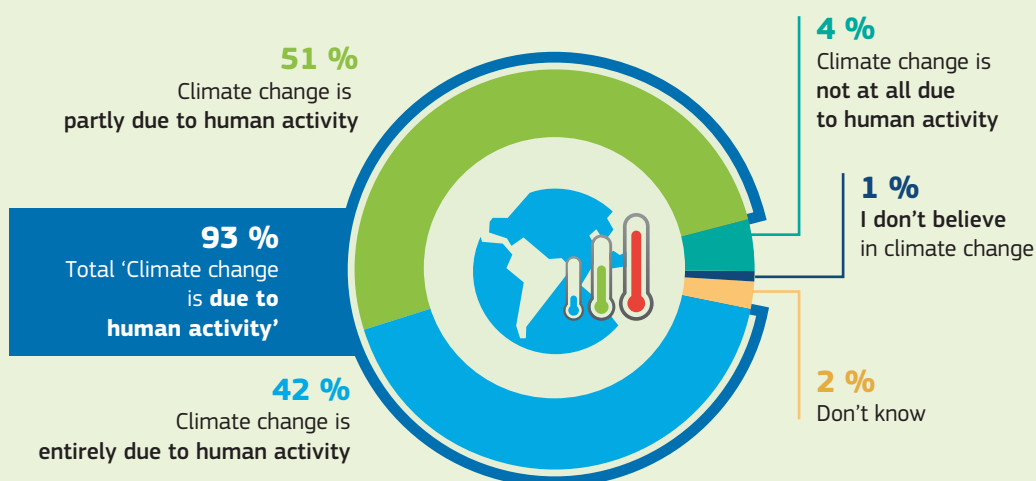
At the same time, the last 2 years have marked a watershed in Europe's response to climate change, with intensive work at EU level to adopt climate and energy legislation to trigger a shift in our energy system towards a low-carbon economy. With the legislation in place, the EU is focused on taking the necessary steps to safeguard everyone's future.

Responding to the invitations from the European Parliament and the European Council, in November 2018 the Commission proposed a strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050: [A Clean Planet for All](#).

The strategy aimed to set the direction of travel of EU climate and energy policy and to frame what the EU considers as its long-term contribution to the aims of the Paris climate agreement to keep the temperature increase to well below 2 °C and pursue efforts to keep it under 1.5 °C. The EU will do this by investing in realistic technological solutions, empowering citizens and aligning action in key areas such as industrial policy, finance, or research, while ensuring social fairness for a just transition so that no European is left behind. With this plan, the EU aims to become the world's first major economy to go climate neutral by 2050.

CLIMATE CHANGE

Which of the following statements best describes your opinion?
(% — EU-28 average)



The mandate for action comes from EU citizens. According to a Eurobarometer poll published in November 2018, 93 % of European citizens believe that climate change is caused by human activity and 85 % agree that fighting climate change and using energy more efficiently can create economic growth and jobs in Europe.

In preparing its vision, the Commission brought together a wide range of stakeholders and held a [public consultation](#) that fed into its deliberations. The adoption of the vision kicks off a broad debate involving decision makers, stakeholders and citizens on how the EU can contribute to the long-term goals of the Paris Agreement and how the required transformation can be achieved.

In December 2018 the European Council invited Member States to work on the Commission's strategy in order to provide guidance on the overall direction and political priorities in the first semester of 2019. This would enable the European Union to submit a long-term strategy by 2020 in line with the Paris Agreement.

Working internationally on global climate action

Shortly after the adoption of the long-term strategy, and 3 years after the Paris Agreement, the EU went to the [UN Climate Conference \(COP24\)](#) in Katowice, Poland, in December with two main objectives. Firstly, to complete a robust and comprehensive rulebook for making the Paris Agreement operational, and second, to take stock of collective progress towards its long-term goals.

Discussions in Katowice concluded with the adoption of a clear rulebook to make the Paris Agreement work in practice across the world, with the EU playing an instrumental role in the outcome. It worked with allies from both developed and developing countries, showing that multilateralism and international cooperation are the most effective way to tackle this global challenge.

The rulebook will enable the parties to the Paris Agreement to implement, track and progressively enhance their contributions to tackling climate change, in order to meet the Agreement's long-term goals.

Governments and stakeholders at COP24 also took stock of progress in view of the temperature goals of the Paris Agreement and considered how to promote more ambitious climate action now and in their next round of national climate commitments. This is expected to create a positive political momentum and trigger a global conversation around long-term strategies and the need to accelerate action.

Throughout 2018 the EU played a key role in high-level events to bolster global climate action. The EU hosted the [second Ministerial on Climate Action](#) in Brussels together with Canada and China, bringing together representatives of 36 governments from many of the world's largest economies. Ministers stressed the importance of multilateralism and confirmed that the Paris Agreement is irreversible and non-negotiable. The EU and China reaffirmed their commitment to climate action at the [China–EU Summit](#) in July and agreed to enhance cooperation on emissions trading. The EU also stepped up cooperation on carbon markets with [California](#) and [New Zealand](#).



Commission Vice-President Maroš Šefčovič at COP24, Katowice, Poland, 3 December 2018.

The EU demonstrated its global leadership by ratifying an [agreement](#) to phase-down hydrofluorocarbons, dangerous climate-warming gases commonly used in heating and cooling equipment. Global implementation of the agreement, which entered into force on 1 January 2019, will make a significant contribution to the Paris Agreement objective.

In 2018 the EU also contributed to securing two important climate deals in the shipping and aviation sectors. In April the International Maritime Organization agreed to set a clear [greenhouse gas emission reduction objective](#) of at least 50 % by 2050, compared to 2008 levels, with a view to phasing out the greenhouse gas emissions of the sector as soon as possible this century. In June the International Civil Aviation Organization endorsed the [standard](#) for the first ever global scheme to tackle CO₂ emissions in the aviation sector. The agreement sets the rules needed for airlines to monitor, report and verify their emissions from 2019.

The EU remains strongly committed to supporting climate action in developing countries. The EU, its Member States and the European Investment Bank continue to be the largest provider of public climate finance, together contributing €20.4 billion to developing countries in 2017.



Commissioner Miguel Arias Cañete at the high-level event 'Climate, Security and Peace: the Time for Action', Brussels, Belgium, 22 June 2018.

Completing a modern and ambitious Energy Union

Transforming Europe's energy systems is essential to tackling climate change. That means changing the way we produce and use energy. This is why the EU is building a low-carbon economy in which consumers will have a better choice of energy supply, access to reliable energy price comparisons and the possibility to produce and sell their own electricity.

The clean energy package

The agreement on [all legislative proposals](#) in the [Clean Energy for All Europeans](#) package in 2018 puts in place a modern regulatory framework for the clean energy transition, delivering on the EU's objective to become a global leader in renewables and to put energy efficiency first.

This includes a new energy efficiency target for the EU for 2030 of at least 32.5 %, and a new target of at least 32 % for renewables in the EU's energy mix, with a clause for an upwards revision for both by 2023. These new targets reflect the EU's high level of ambition, as well as the pace of change of new technologies and reduced costs through economies of scale. Together, they will deliver total greenhouse gas emission reductions of around 45 % by 2030, surpassing the EU's commitment under the Paris Agreement to reduce emissions by at least 40 % by 2030 compared to 1990.

New European rules that entered into force in July will contribute to these goals by tapping into the huge potential for efficiency gains in the building sector, the largest single energy consumer in Europe. This will create a clear path towards a low and zero-emission building stock by 2050.



Commission Vice-President Maroš Šefčovič visits the building of a lithium-ion battery factory in Västerås, Sweden, 27 April 2018.

As well as making buildings smarter and saving money, the new rules will also create jobs in the renovation and construction sector.

Energy efficiency improvements will also help combat energy poverty by reducing bills in older buildings, which are in most urgent need of renovation. As part of its efforts to address energy poverty across EU countries, the Commission launched the [EU Energy Poverty Observatory](#) in January. It will improve the measuring, monitoring and sharing of knowledge and best practice on energy poverty.

[Legislation](#) aimed at equipping Member States and the EU to govern the Energy Union came into force in December. It will ensure that the 2030 energy and climate targets and climate adaptation goals are achieved by setting out a political process defining how EU countries and the Commission work together.

New rules for making the EU's electricity market work better were also politically agreed in December. They will create more competition and will allow consumers to participate more actively in the market and play their part in the clean energy transition. Agreements were also reached on measures to ensure European citizens are better protected against critical electricity supply shortages, and on the strengthening of the role of the Agency for the Cooperation of Energy Regulators.

Other energy efficiency actions during 2018 included a ban on the sale of inefficient halogen light bulbs from 1 September, saving EU consumers money on their energy bills and helping to reduce greenhouse gas emissions.

Energy security and solidarity

Security of energy supply for EU consumers is an integral part of the [Energy Union Strategy](#). As part of the effort to strengthen security of supply in the Baltic States, the President of the Commission and the leaders of Lithuania, Latvia, Estonia and Poland [reached an agreement](#) on synchronising the Baltic States' electricity grid with the continental European network by 2025. Full integration of the Baltic States' grids with the rest of Europe is a priority for the Energy Union and will be a major contribution to the unity and energy security of the EU.

EU citizens will get a wider range of choice and more secure supplies through competition and diversification of energy sources. Some examples of progress in this area include a joint commitment to implement the [gas interconnector between Bulgaria and Serbia](#), which was signed in May. The gas pipeline will not only provide a new supply route to Serbia, but also to other parts of the south-east European region.

In June the Prime Ministers of Bulgaria and Greece [signed a political statement](#) supporting the construction of a gas interconnector between the two countries. Other important projects linking Member States include the [gas interconnectors](#) between Denmark and Poland and Poland and Lithuania.



Jean-Claude Juncker, President of the European Commission (centre), receives Māris Kučinskis, Latvian Prime Minister, Dalia Grybauskaitė, President of Lithuania, Jüri Ratas, Estonian Prime Minister, and Mateusz Morawiecki, Polish Prime Minister, Brussels, Belgium, 22 March 2018.

European solidarity on energy was underlined at the [Lisbon Summit](#) in July when the leaders of Portugal, France and Spain agreed on steps to strengthen the integration of the Iberian Peninsula into the European energy market. The Commission is supporting the construction of the necessary infrastructure, with a record investment of €578 million for the power line crossing the Bay of Biscay, the largest [Connecting Europe Facility](#) investment ever awarded to an energy infrastructure project.

In May the Commission imposed [binding obligations on the Russian company Gazprom](#) to enable and guarantee the free flow of gas at competitive prices in central and eastern European gas markets.

In 2018 the EU invested €48.4 million in eight electricity, gas and smart-grid infrastructure projects through the Connecting Europe Facility. Over 50 % of the planned allocations for sustainable energy and transport projects for 2014-2020 (around €32 billion) have already been made to projects on the ground. The EU is actively supporting many regions in developing strategies and implementing concrete actions through the Commission's [pilot actions](#) on [regions in industrial transition](#) and in the [coal and carbon intensive regions in transition initiative](#). The [Investment Plan for Europe](#) continued in 2018 to help European citizens get their energy from renewable sources, bringing the total of households helped by the Plan to 7.4 million. In December the [Commission fined Bulgarian Energy Holding](#), its gas supply subsidiary Bulgargaz and its gas infrastructure subsidiary Bulgartransgaz (the BEH group) €77 million for blocking competitors' access to key gas infrastructure in Bulgaria, in breach of EU antitrust rules.

In 2018 the EU approved six electricity capacity mechanisms in Belgium, France, Germany, Greece, Italy and Poland, designed to guarantee sufficient electricity supply in the medium and long term.

In international developments, the Commission held a series of high-level meetings in Iran, with the aim of strengthening energy cooperation between both partners. Against the challenging background of the withdrawal of the US from the Joint Comprehensive Plan of Action on nuclear power in Iran, the Commission insisted that the lifting of sanctions was an essential part of the nuclear deal.

In July President Juncker visited US President Donald Trump at the White House, where they agreed to strengthen EU-US strategic energy cooperation. They agreed in particular to work together to increase [EU imports of liquefied natural gas](#) from the United States to improve the diversification and security of energy supplies.

Decarbonising the economy

Action to reduce emissions is an investment in the prosperity and sustainability of the European economy. The EU is already on track to exceed its 2020 greenhouse gas emissions reduction target of 20 %. Emissions fell by 22 % between 1990 and 2017, while the EU economy grew by 58 % over the same period.



Commission Vice-President Maroš Šefčovič participating in a discussion at the Hannover Messe, Hannover, Germany, 23 April 2018.

The legislative framework to achieve the EU's Paris pledge is already in place. The economy-wide target for 2030 has been translated into specific targets for the EU Emissions Trading System and for the sectors outside its scope, such as transport, buildings, waste and agriculture.

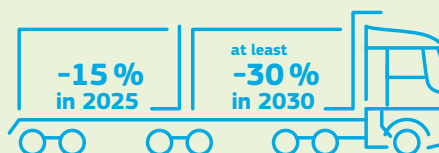
In May the legislators adopted binding annual greenhouse gas emission reduction **targets** for EU Member States for the period from 2021 to 2030 for the non-Emissions Trading System sectors, which account for almost 60 % of the EU's total domestic emissions. In addition, EU legislation **was adopted** to regulate emissions and absorptions from land use.

The EU Emissions Trading System has been **revised** for the period after 2020. This reform will increase the pace of emissions cuts, continue to address the risk of carbon leakage, and help energy-intensive industrial sectors and the power sector meet the innovation and investment challenges of the transition to a low-carbon economy. Market developments since the revised legislation was adopted are seen as a sign of growing confidence in the crucial role of the carbon market in delivering on the EU's climate ambition and are driving technological change.

In May the Commission presented the remaining **set of actions** to modernise Europe's transport sector (see also Chapter 4), including the first ever **CO₂ emissions standards** for heavy-duty vehicles. Under the proposal, average CO₂ emissions from new trucks would have to be 15 % lower in 2025 than in 2019, with an indicative reduction target of at least 30 % proposed for 2030. These targets will allow transport companies — mainly SMEs — to make significant savings thanks to lower fuel consumption. In December, the European Parliament and the Council reached a political agreement on strong rules to decarbonise and modernise the light-duty vehicles sector. They provisionally agreed

REDUCING CO₂ EMISSIONS FROM HEAVY-DUTY VEHICLES

Heavy-duty vehicle emission standards will reduce average CO₂ emissions by:



Heavy-duty vehicle emission standards save money at the pump:



Heavy-duty vehicles emission standards will save:



on new CO₂ emission standards for cars and vans in the EU for the period after 2020. Emissions from new cars will have to be 37.5 % lower and from new vans 31 % lower in 2030 compared to 2021. This will accelerate the transition to clean mobility, preparing for climate neutrality in the second half of the century. It will help deliver on the EU's commitments under the Paris Agreement, while also improving air quality for all Europeans.

Other measures include a comprehensive action plan for batteries that will help create a competitive and sustainable battery 'ecosystem' in Europe. Batteries will be as essential to the automotive industry of the 21st century as the combustion engine was in the 20th century. One year after the European Commission launched the [European Battery Alliance](#) there has been [major progress](#) in establishing battery manufacturing in Europe, with the first pilot production facilities already underway. The European Commission also proposed new tyre labelling, which could help European households save up to €125 per car per year by using the most efficient tyres to reduce fuel costs.

Fighting air pollution

In May 2018 the EU took decisive [action to protect citizens from air pollution](#), outlining support [measures](#) to help Member States meet their targets. These include stepping up cooperation with Member States through Clean Air Dialogues and using EU funding to support measures to improve air quality.

In addition, the Commission referred France, Germany, Hungary, Italy, Romania and the United Kingdom to the Court of Justice of the European Union. This was for failure to respect air quality limit values and for failing to take appropriate measures to keep exceedance periods as short as possible.

In September new [emission tests](#) became mandatory for all new cars before they can be sold, registered and driven on European roads. The new tests will ensure more reliable emissions results (in real driving conditions) and help rebuild confidence in the performance of new cars. From January 2019, independent parties, including the Commission, will be able to perform officially recognised tests through accredited laboratories and technical services to test emission levels during a vehicle's lifetime (see also Chapter 4).

In September the Commission opened an [in-depth investigation](#) to assess whether BMW, Daimler and VW (Volkswagen, Audi, Porsche) colluded, in breach of EU antitrust rules, to avoid competition on the development and roll-out of technology to clean the emissions of petrol and diesel passenger cars.

In 2018 the Commission approved a number of support measures accompanying the move towards low-emission transport. These State aid schemes, notified by Germany and Portugal, concerned support for the purchase of low-emission vehicles, construction of the necessary charging infrastructure and the retrofitting of older diesel buses.

Adapting to the impacts of climate change

In addition to measures to cut emissions, the EU continued to take action to prepare for and adapt to the inevitable impacts of climate change. Today, 25 Member States have an Adaptation Strategy, and climate adaptation has been integrated into EU funding instruments and into initiatives such as the Covenant of Mayors on Climate and Energy, which celebrated its 10th anniversary in 2018. The [report](#) on the implementation of the EU Adaptation Strategy published in November, highlights these and other successes but also outlines actions needed to reduce Europe's vulnerability to climate impacts within and outside its borders.



Making our money work for the planet — investing sustainably.

Sustainable finance

Around €180 billion of additional investments a year would be needed to achieve the EU's 2030 climate and energy objectives. Based on the recommendations of the High-Level Expert Group on sustainable finance, the Commission launched an [Action Plan On Sustainable Finance](#) and followed up with legislative proposals in May 2018. A proposed amendment to create a new category of benchmarks comprising low-carbon and positive carbon impact benchmarks, and a proposal for a regulation on disclosures relating to sustainable investments and sustainability risks are advancing in the legislative process. The Commission has also proposed to gradually create a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity. Once adopted, these rules will give financial market operators a strong incentive to invest in a more sustainable way and ensure transparency so that institutional as well as retail investors are in a position to make informed choices for their investments.

Another important development came in October, when the Commission and Breakthrough Energy, led by Bill Gates, [launched a new €100 million investment fund](#), Breakthrough Energy Europe, to help innovative European companies develop and bring new clean energy technologies to the market. In addition, the European Commission approved an [investment package of €243 million from the EU budget](#) for projects under the LIFE Programme supporting nature, the environment and quality of life, in Europe's transition to a more sustainable and low-carbon future.



Werner Hoyer, President of the European Investment Bank, speaking at the High-Level Conference on Financing Sustainable Growth, Brussels, Belgium, 22 March 2018.

The EU's long-term budget 2021-2027

To help achieve the EU's climate goals, the Commission has proposed that at least 25 % of the next long-term EU budget (2021-2027) should contribute to climate objectives. It proposes to strengthen the LIFE Programme, one of the spearheads of EU environmental and climate funding, with a 60 % increase in funding.

In the field of energy, €8.7 billion would support investments in European energy infrastructure networks over the 7-year period to help complete a sustainable and climate-resilient Energy Union and support the clean energy transition. A further €6.07 billion would be allocated to the international project to construct and operate an experimental facility for testing the viability of fusion as a clean and sustainable source of energy. In addition, the Commission proposes to increase the EU's ambitions on environmental care and climate action with 40 % of the common agricultural policy's overall budget expected to contribute to climate action.

Investing in breakthrough technologies is a prerequisite for reaching the EU's climate targets. Under the revised [EU Emission Trading System Directive](#), an Innovation Fund will work in synergy with Horizon Europe, InvestEU and the other EU programmes under the long-term budget. On top of the EU budget, a Modernisation Fund will provide additional funding for 10 Member States in central and eastern Europe for the modernisation and decarbonisation of their energy systems. In the proposal for a new LIFE Programme, the European Commission proposed €5.45 billion for projects supporting the environment and climate action, an increase of €1.95 billion.

The future long-term budget of the EU



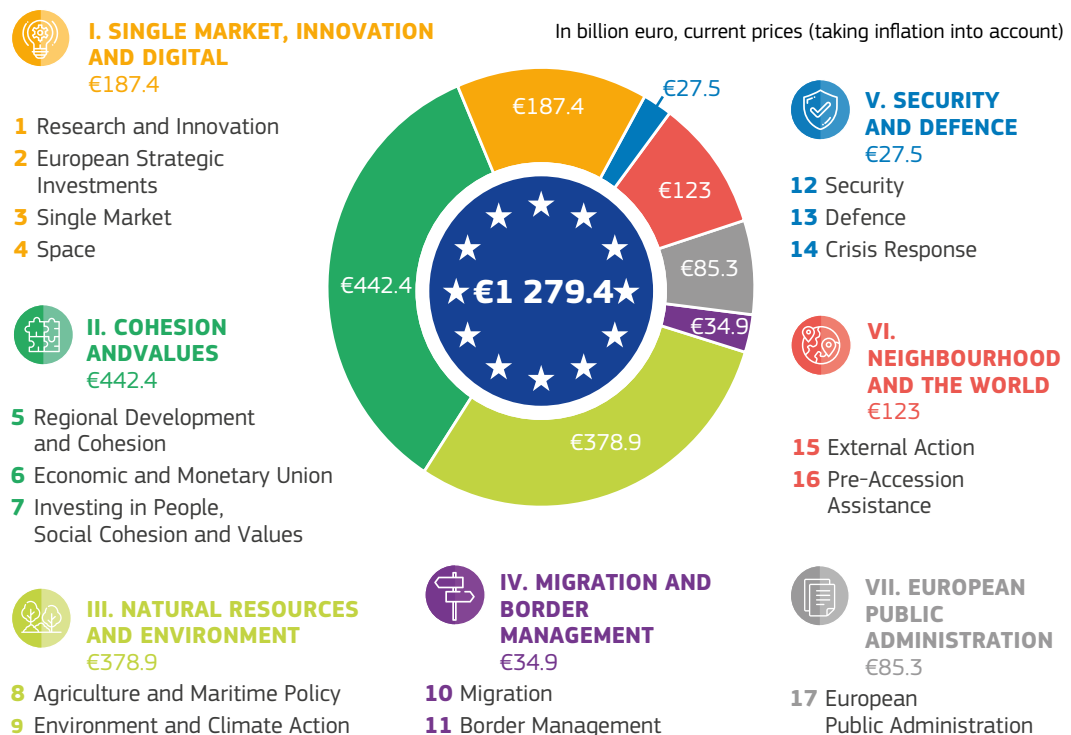
Commissioner Günther Oettinger talks at an event on the long-term budget plans of the European Commission, Brussels, Belgium, 2 May 2018.

In May 2018 the European Commission presented its proposal for the future long-term budget of the EU, covering the 2021-2027 period. This proposal is the result of an open and inclusive process that has received inputs from the European Parliament, the Member States, beneficiaries of EU funding and other stakeholders. It aims to focus on the current and future challenges facing the EU, and to provide the resources for a Europe that protects, empowers and defends.

The proposed budget amounts to €1 135 billion in commitments (in 2018 prices) over 7 years, equivalent to 1.11 % of the EU-27's gross national income. The proposed legislative package also modernises and simplifies the current overall financing system of the EU budget, simplifying some

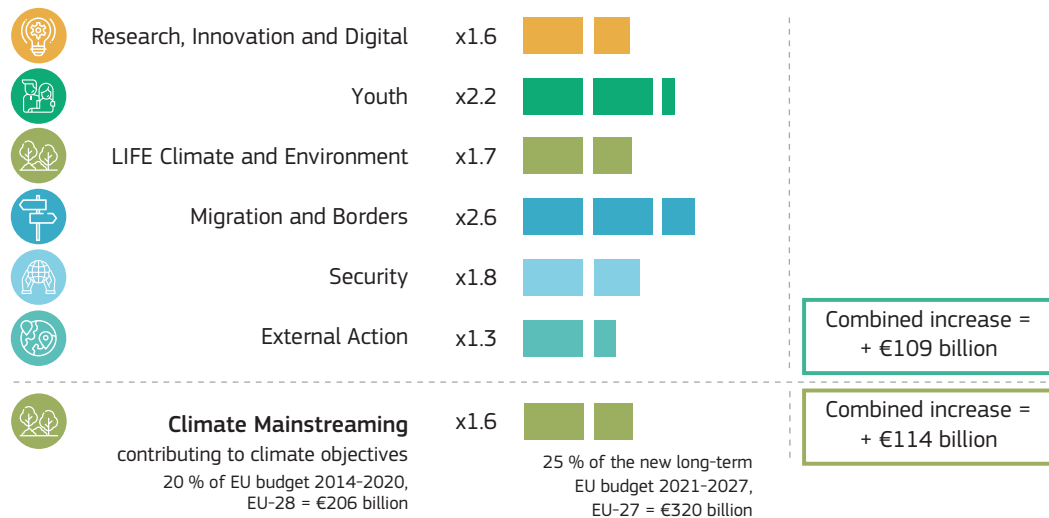
THE NEW LONG-TERM EU BUDGET 2021-2027

A budget for a Union that protects, empowers and defends



NEW AND REINFORCED PRIORITIES FOR THE UNION AT 27

Increase under the new long-term EU budget



existing elements, like the Value Added Tax-based own resource, and introducing a basket of new own resources linked to the EU's political priorities.

The proposal focuses on areas where the EU budget can make the biggest difference by providing European added value. In particular, it increases the current level of funding for key areas where a coordinated approach can deliver more effectively than a national one: research and innovation, digital transformation, young people, security and external borders management, and EU external action. In order to bridge the gap in the EU budget left by the United Kingdom's withdrawal from the EU, savings and improved efficiency are also put forward in the new proposal. While moderate cuts are inevitable, the common agricultural policy and the cohesion policy will be modernised to ensure that they can deliver with less and contribute to the new priorities.

The proposed long-term budget also takes significant steps to simplify EU funding procedures, allowing potential beneficiaries to access available opportunities more easily. The Commission has proposed to:

- ▶ reduce the number of programmes to 37, down from 58 under the current framework;
- ▶ simplify the rules for EU funding, cutting red tape and making it easier to submit an application;
- ▶ add synergies and complementarity of funding, in order to avoid duplications; and
- ▶ build on the existing flexibility instruments and crisis management tools to make the EU budget more responsive in a fast-changing world.

The new proposal also introduces a strengthened link between EU funding and the rule of law, which is an essential precondition for sound financial management. A new proposed mechanism will allow the European Union to suspend, reduce or restrict access to EU funding in a manner proportionate to the nature, gravity and scope of the rule of law deficiencies.

Following the Commission's proposal, the Member States in the European Council will discuss and decide on the future long-term budget of the EU with the consent of the European Parliament. A timely approval will be important to provide for a seamless transition between the current and the next long-term budget, ensuring predictability and stability.



‘Our internal market is Europe’s best asset in times of increasing globalisation. I therefore want the next Commission to build on the strength of our Single Market and to fully exploit its potential in all its dimensions.’

Jean-Claude Juncker, political guidelines, 15 July 2014

A deeper and fairer internal market with a strengthened industrial base

In 2018 we celebrated 25 years of the internal market, also known as the Single Market. It is one of the largest markets in the world, where people, goods, services and money can move freely.

Thanks to the Single Market, Europeans can in principle buy what they want, where they want and benefit from greater choice and lower prices. European businesses — big and small — can expand their customer base and trade products and services more easily across the EU.

Citizens have seen the end of roaming charges, gained a full set of passenger rights and enjoy greater consumer protection on and offline. We live in a fairer and more social Europe where people can expect better living and working standards. However,

more remains to be done in this area.

Efforts to improve the functioning of the Single Market continue on a daily basis — from creating a Single EU Value Added Tax area and combating tax evasion and fraud to ensuring the cars we drive are safer and cleaner.

Developments in 2018 include important milestones towards a fair internal market with the adoption of new rules on equal pay for equal work in the same place and to ensure professionals can provide their services across the Union more easily. The EU also agreed to create a Single Digital Gateway to make it easier for citizens and businesses to manage their paperwork online.

The Customs Union, which celebrated its 50th anniversary

in July, continues to be a cornerstone of the Single Market. It keeps EU borders safe and protects citizens from prohibited and dangerous goods while safeguarding the financial interests of the EU and supporting a smooth flow of legitimate trade.

Making the Single Market work better for people and businesses

In 2018 the EU continued to remove barriers to the free movement of goods and services, and shared best practices to support the development of the retail sector.

In November 2018 the Commission [adopted a Communication](#) that presented a fresh assessment of the situation in the Single Market and called on Member States to renew their political commitment to it. To exploit its full potential in the digital era and ensure the sustainable growth of our economy, the Single Market needs to function properly and evolve in a rapidly changing world.

Today, however, deeper integration requires more political courage than 25 years ago and greater efforts to close the gap between rhetoric and delivery. The Communication highlights three main areas where further efforts are needed to deepen and strengthen the Single Market. Firstly, the

THE SINGLE MARKET AT 25: WHAT DOES IT DO FOR PEOPLE?



17 million Europeans live or work in an EU country **other** than their own.



The cost of national calls has fallen by two thirds. People can switch telecoms providers easily; and they can call, text and use data in any EU country just like at home.



All products imported from third countries need to **comply with EU rules**.



Thanks to EU-wide competition, people can choose their **energy provider** and switch **telecoms providers** in a fast and easy way.



Customers can claim compensation from the airline if they arrived at their final destination with a delay of over 3 hours.



Europeans benefit from some of the **strictest rules on health, hygiene and food standards** in the world.



More than **9 million** people have benefited from **Erasmus**.



People can make an **electronic payment in euro in the Single Market** as easily as at home.



Companies can benefit from **simplified VAT rules** and common rules allowing them to file one tax return for all their EU activities.



People can **cancel or return online purchases** within 14 days. No reason required. Customers can return faulty goods within 2 years at no extra cost.



Bank deposits of up to €100 000 are always protected.



Europeans can use their **online subscriptions in all EU countries**.



The **European Health Insurance Card** gives people access to medically necessary, state-provided healthcare during a temporary stay in any EU country.



Public authorities are **spending taxpayers' money more efficiently** on public products and services (€2 trillion yearly) through **open and transparent tenders**.



Citizens can have their **pension rights** from work in **another EU country** recognised.



EU product legislation imposes safety requirements that are amongst the strictest in the world.



Some **793 000 SMEs** have already benefited from funding and support under the Juncker Plan.



Citizens now have **more control over their personal data** and how it is processed by third parties, including the right to be forgotten.

Commission calls on Member States to be vigilant in implementing, applying and enforcing EU rules and to refrain from erecting new barriers. Secondly, it calls on the European Parliament and the Council to adopt all the legislation that has been proposed to ensure the proper functioning of the Single Market. Thirdly, it highlights the significant potential for further economic integration in the areas of services, products, taxation and network industries, which will require political courage and determination.

The Commission also presented Communications on the [EU Investment Plan](#) and on [European harmonised standards](#). These demonstrate how the Commission's initiatives contribute to improving people's daily lives, help businesses to thrive, maintain Europe as an attractive investment destination and boost Europe's values, standing and influence in the world.

The EU agreed new [rules](#) to ensure that national regulations do not create unnecessary obstacles to the free movement of professionals across the EU. This will help the 50 million people, or 22 % of the European labour force, who work in regulated professions that require specific qualifications, such as engineers, lawyers and architects. From 2020, EU Member States will have to thoroughly assess the costs and benefits of planned legislation by carrying out a test to ensure they are proportionate and justified.

The [European Professional Card](#), which has been available since January 2016, is making it easier for qualified professionals to provide services across the EU. The 2018 [evaluation](#) shows that the card, which currently covers general care nurses, pharmacists, physiotherapists, real estate agents and mountain guides, is providing added value compared to traditional recognition processes.

The EU also looked at restrictions in the retail sector, which employs almost 9 % of Europe's workforce in over 3.6 million companies. With the rapid development of e-commerce and multi-channel retailing, the sector is undergoing a dramatic transformation. In April the Commission published a set of [best practices](#) to create a more open, integrated and competitive retail sector, including new approaches to revitalise city centres. The Commission encouraged Member States to make sure current regulations are non-discriminatory, justified and proportionate. A [guide](#) to revitalising and modernising the small retail sector gives practical suggestions on how to meet the challenges of the future.

To improve fairness in the food supply chain and strengthen the position of farmers and small businesses, the Commission [proposed](#) to ban the most damaging unfair trade practices.

In December the European Parliament, the Council and the Commission reached a [political agreement](#) on a new set of rules that will ensure protection of 100 % of EU farmers and of most smaller and medium-sized agri-food companies against practices contrary to good faith and fair dealing.

To ensure that Single Market rules are being properly applied, the Commission also initiated a number of infringement procedures against Member States, including in the area of recognition of professional qualifications, public procurement and the retail sector.

Towards fair labour mobility and safer working conditions

In 2018 we celebrated the 50th anniversary of the founding regulations on freedom of movement for workers. Today, some 17 million Europeans live or work in a different EU country, almost twice as many as 10 years ago.

The Commission has proposed the creation of a [European Labour Authority](#) to inform citizens and businesses about opportunities to live, work or operate in another EU country, to strengthen cooperation between EU countries to enforce the rules fairly and effectively and to mediate solutions in cases of cross-border disputes. This new body should be established in 2019 and complements the proposal to improve the rules that coordinate social security systems, which have been protecting citizens for 60 years. Both proposals are being negotiated in the European Parliament and the Council.



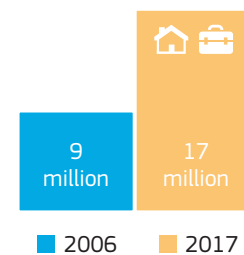
Celebrating 50 years of free movement and 60 years of social security coordination in the EU.

Striking a balance between free movement of services and equal treatment of workers is at the heart of [new rules](#) to protect the rights of those who are sent by their employer to work temporarily in another Member State. This will ensure equal pay for equal work in the same place, creating a level playing field between foreign and local companies in the host country.

WHY DO WE NEED A EUROPEAN LABOUR AUTHORITY?

- ▶ **17 million Europeans** now live or work in a Member State other than that of their nationality. This figure almost doubled compared to a decade ago.
- ▶ Every day, **1.4 million Europeans commute** to another Member State to go to work.
- ▶ **2.3 million workers are sent** to carry out services in another Member State on a temporary basis.
- ▶ **Over 2 million workers** in the road transport sector cross borders within the EU on a daily basis transporting goods or passengers.

Number of mobile persons in the EU



The digital single gateway: a one-stop shop for online paperwork

In 2018 the [Regulation](#) to create a single digital gateway was adopted to make it easier for people and companies in the EU to manage their paperwork online. In the future, any administrative procedure currently available online for users in one EU country will be accessible to users from other EU Member States in an EU language that is understandable for cross-border users. Twenty-one key procedures, including requests for a birth certificate or to register a car, will be available online. The system will also reduce cross-border red tape by introducing the 'once-only' principle, requiring authorities to reuse information already provided by citizens and businesses and could save companies over €11 billion.

A strong and innovative industrial base



Commissioner Pierre Moscovici (second from left) on a tour of the CERTEM microelectronics research centre in Tours, France, 15 May 2018.

A strong and competitive industrial base is crucial for the future of Europe's economy. The EU's renewed industrial policy strategy aims to empower European industry and European citizens to reap the opportunities of industrial transformation, digitalisation and decarbonisation.

The 2018 EU Industry Day showed that Europe is in a good starting position. The EU once more demonstrated its leadership in the transition to clean and sustainable energy with the launch of the first [Clean Energy Industrial Forum](#), which centred around three industry-led initiatives on [batteries](#), [renewables](#) and [construction](#).



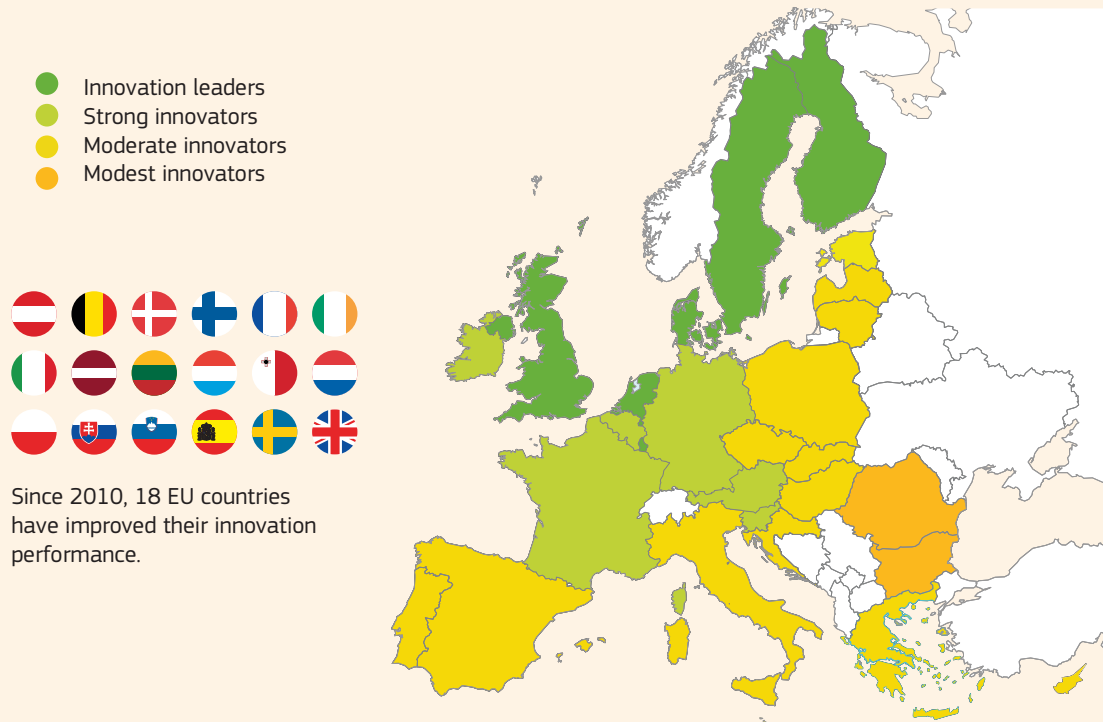
Commission Vice-President Jyrki Katainen speaking at the Second European Industry Day in Brussels, Belgium, 22 February 2018.

The EU launched the €10 million [Prize on Innovative batteries for eVehicles](#) and hosted the first meeting of Industry 2030 — a group of 20 experts who will help shape the vision for the future of European industry with recommendations in summer 2019.

The EU's innovation performance continues to improve, but the 2018 [European Innovation Scoreboard](#) showed further efforts are needed to ensure Europe's global competitiveness. There was a positive trend in the majority of EU countries — most notably in Malta, the Netherlands and Spain, with Sweden remaining the EU innovation leader. The EU is catching up with key competitors such as Canada, Japan and the United States. But closing this innovation gap and maintaining the lead over China will require a concerted effort to exploit Europe's innovation potential.

Europe needs to seize opportunities arising from the rapid development of technologies. As well as supporting the modernisation of EU industry with initiatives such as [measures on artificial intelligence](#) and a strategy on [connected and automated driving](#), the EU also evaluated that existing rules on machinery and liability are fit for purpose. This showed that they are fit for emerging digital technologies and innovative products.

2018 EUROPEAN INNOVATION SCOREBOARD

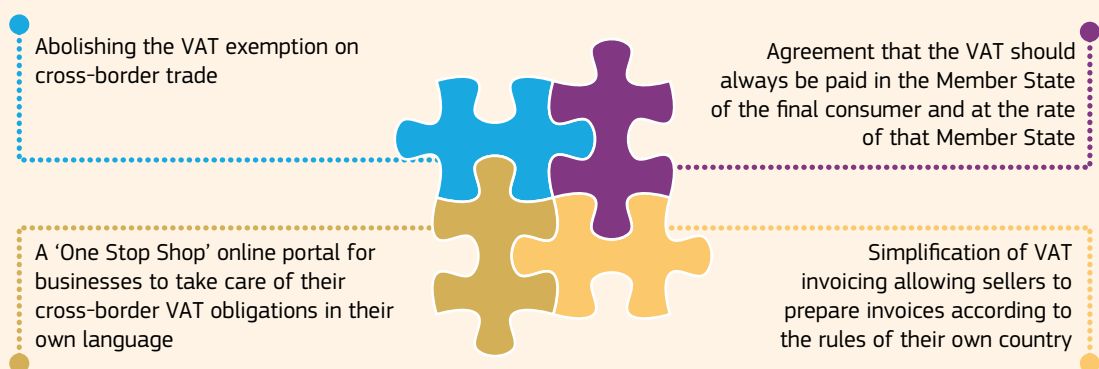


Taxation made simpler and more fraud-proof

A smoothly functioning Single Market needs fair and efficient tax rules. With this in mind, the Commission has presented 22 proposals in the area of tax since November 2014.

In March 2018, EU Finance Ministers adopted [rules](#) aimed at boosting transparency to prevent aggressive cross-border tax planning. From July 2020, tax intermediaries such as tax advisors, accountants, banks and lawyers who provide their clients with complex cross-border financial schemes that could help avoid tax will be obliged to report these structures to their tax authorities.

THE CORNERSTONES OF A NEW VAT SYSTEM FOR THE EU



The Commission is undertaking the most far-reaching VAT reform for a quarter of a century. In October 2017 it proposed the main principles for the creation of a single EU VAT area to help shut down the estimated €50 billion in cross-border VAT fraud currently affecting national budgets annually in EU Member States. In May 2018 the Commission presented the [detailed technical measures](#) in view of implementing the main principles for the taxation of trade between EU countries.

In October the Commission welcomed the adoption by EU countries of new tools to close loopholes in the EU's VAT system. With entry into force in November 2018, EU countries will be able to exchange more information and cooperate more closely in the fight against criminal organisations.

Celebrating 50 years of the Customs Union

2018 marked the 50th anniversary of the Customs Union. The EU's Single Market, which allows any business established in the EU to sell its goods and invest throughout the EU without any internal borders, would be impossible without the tariff-free environment provided by the Customs Union.

The role and responsibilities of Member States' customs authorities have grown over the last 50 years. In July, following the First Biennial Report on Progress in Developing the EU Customs Union and its Governance, EU Member States signed the [Charter of the Customs Administrations of the EU](#). This confirms the principles of protecting society, facilitating trade and acting as one, for now and the future.

Better financial services

Under current rules, there is no difference for euro area residents or businesses if they carry out euro transactions in their own country or with another euro area Member State. The EU wants Europeans in non-euro area countries to have the same conditions when making [cross-border payments](#) in the euro area. In December the European Parliament, the Council and the Commission reached a political agreement on the [proposal](#), which will mean cheap euro transfers everywhere in the EU and fairer currency conversions for consumers.

The May proposal on new [EU rules on motor insurance](#) aims to better protect victims of car accidents and improve the rights of insurance policyholders. The new rules will ensure that victims of car accidents receive the full compensation they are due, even if the insurer is insolvent.

CHEAPER CROSS-BORDER PAYMENTS



Under the new Commission proposal, cross-border payments in euro become as cheap as domestic payments for consumers and businesses **outside** the euro area.

WHICH EURO PAYMENTS ARE CONCERNED?



BANK TRANSFERS
(sending abroad or receiving from abroad)



CASH MACHINE WITHDRAWALS ABROAD



CARD PAYMENTS ABROAD

Greater consumer protection on insurance products

EU consumers have greater clarity with the entry into application of [new rules](#) on the distribution of insurance products in October. This will strengthen consumer protection by reinforcing the rules on the way insurance products are sold. The enhanced rules are expected to benefit policyholders, as well as insurance companies and providers.

Ensuring a level playing field in the Single Market

The Commission's job as a competition authority in the area of merger control is to make sure that people in the EU are not denied the benefits of competition, such as lower prices, greater consumer choice and greater product innovation.

In 2018 the Commission approved [Bayer's acquisition of Monsanto](#), subject to conditions. The parties agreed to resolve all the identified competition concerns, in particular the consequences this merger would have for innovation in the future, with an extensive package of remedies including divesting the relevant research and development assets.

The Commission also actively pursues and heavily fines cartels. Under the Commission's leniency programme, companies can provide insider evidence in return for a reduction in fines. In 2018, the Commission fined [eight producers of capacitors](#) (used in smart phones and other appliances) €254 million for participating, together with an immunity applicant, in a cartel. The Commission also [fined](#) four maritime car carriers €395 million and, in three separate cartel settlements, fined car parts suppliers €151 million.

The role of EU State aid control is to ensure that EU countries do not give selected companies better tax treatment than others. In June the Commission found that [Luxembourg allowed two Engie group companies](#) to avoid paying taxes on almost all their profits. Luxembourg must now recover around €120 million in unpaid tax. In October the Commission concluded that Slovakia's [€125 million investment aid to Jaguar Land Rover](#) is in line with EU State aid rules. The aid will contribute to the development of the region of Nitra, without unduly distorting competition in the Single Market.

In December the Commission approved €1.75 billion of State aid for the support of €6 billion of private-sector investment in research, development and innovation in the area of microelectronics, which is one of the Key Enabling Technologies for the European economy. This Important Project of Common European Interest will be carried out by about 30 companies in four Member States in collaboration with research organisations and universities, with important spillover effects on other companies throughout the EU.

In December the Commission established that Gibraltar's corporate tax exemption regime for interest and royalties, as well as five tax rulings, are illegal under EU State aid rules. The beneficiaries now have to return unpaid taxes of around €100 million to Gibraltar.

Towards safe, clean and connected mobility

The EU is moving towards clean and sustainable mobility to protect our health and environment and boost the competitiveness of EU industry.

In 2018 the EU finalised the overhaul of the process to ensure car manufacturers comply strictly with all EU safety, environmental and production requirements. The reform was [proposed](#) in the wake of the 'Dieselgate' scandal and complements the EU's wider work for a clean, sustainable and competitive car sector. The [new rules](#), which will apply from 2020, will significantly raise the quality level and independence of vehicle testing, increase checks on cars that are already on the EU market, and strengthen the overall system with European oversight.



Commissioner Violeta Bulc participates in the TEN-T Days conference on European mobility, connectivity and transport in Ljubljana, Slovenia, 26 April 2018.

As part of the 'Europe on the Move' initiative, the EU put forward the final [set of measures](#) aimed at modernising Europe's transport system to allow all Europeans to benefit from safer traffic, less polluting vehicles and more advanced technological solutions.

The reform of [vehicle safety rules](#) foresees that all new vehicle models placed on the market will be required to have the latest advanced safety technology, such as emergency braking and intelligent speed assistance. This goes hand in hand with efforts to make road infrastructure safer. These proposals are now under final consideration by Member States and the European Parliament.

The risks posed by unsafe road infrastructure will also be systematically addressed, including the risks to vulnerable road users like cyclists and pedestrians. The proposals will help Member States in their efforts to improve road safety, and in particular help those with poorer road safety performance to catch up with better performers.

Moving towards [connected and automated cars](#) can make mobility safer, cleaner, more inclusive and more efficient. The 2018 strategy aims to ensure that key technologies and infrastructures are developed in the EU and that they are safe.

IMPROVING ROAD SAFETY IN THE EU

VEHICLE SAFETY

The Commission proposes to make the following safety and driver assistance features mandatory:



- ▶ Intelligent speed assistance
- ▶ Reversing detection and reversing camera
- ▶ Driver distraction and drowsiness recognition



- ▶ Lane keeping assistance
- ▶ Advanced emergency braking



- ▶ Direct vision requirements
- ▶ Pedestrian/cyclist detection

INFRASTRUCTURE SAFETY



The Commission proposes to **update the European rules on infrastructure safety management**:

- ▶ **Scope extended beyond motorways**
Only 8 % of fatalities occur on motorways, while 39 % happen on primary/main roads
- ▶ **Network-wide risk mapping**
- ▶ **Reinforced provisions for vulnerable road users**

Ending seasonal time changes

In response to the request by the European Parliament and the concerns of a growing number of citizens and Member States, the Commission launched a [public consultation on summertime arrangements](#) in July. Approximately 4.6 million responses were received, the highest number ever for a public consultation. This found that 84 % of respondents were in favour of ending seasonal clock changes. The original reason why Member States introduced these arrangements in the 1970s (mainly to save energy) have become much less relevant as new techniques to reduce energy consumption have become available.

The existing EU legislation harmonised the rules on time changes across all Member States, in order to prevent disruption of the Single Market. With the same objective in mind, the Commission presented a proposal in September to end seasonal clock changes. This called on Member States to make their choices as regards their standard time (which falls under national competence) in a coordinated way, regardless of whether they want their future permanent standard time to coincide with their present summertime or remain unchanged (current 'winter time'). This proposal is now with the Council and the European Parliament.

Protecting intellectual property rights and fighting counterfeiting

In a world where EU companies are increasingly competing on innovation, creativity and quality, protecting intellectual rights is a powerful tool for growing the competitiveness of all companies, including small and medium-sized enterprises.

To help Europe's pharmaceutical companies tap into fast-growing global markets and promote jobs, growth and investments in the EU, the Commission [proposed an adjustment](#) to intellectual property rules to make EU-based pharmaceutical companies more competitive in global markets.

The advertising sector joined forces to fight counterfeiting and piracy by signing [a voluntary agreement](#) to reduce the advertisement revenues of websites and mobile apps infringing copyright or disseminating counterfeits.

New EU rules protecting [trade secrets](#) came into force in June. The changes will discourage unfair competition and encourage collaborative innovation and the sharing of valuable know-how to make the EU a stronger and more competitive economic region.

Modern and sustainable public procurement

Every year, over 250 000 public authorities in the EU spend around €2 trillion – 14 % of EU gross domestic product – on the purchase of services, works and supplies. In 2018, the Commission followed up on its [strategy](#) to get better value for taxpayers' money and contribute to a more innovative, sustainable, inclusive and competitive economy. It published [guidance](#) to encourage public buyers to use procurement as a tool to stimulate innovation and shared a [recommendation](#) for national authorities to support SMEs and make it easier for them to take part in defence procurement contracts. Separate [guidance](#) helps to avoid the most common errors in projects co-financed by the European Structural and Investment Funds.

The EU's long-term budget 2021-2027

In June 2018 the Commission proposed a new dedicated €4 billion programme to empower and protect consumers and enable Europe's small and medium-sized enterprises to take full advantage of a well-functioning Single Market. The new programme will strengthen the governance of the Single Market, support business competitiveness and promote human, animal and plant health and animal welfare.

‘Over the next five years, I want to continue with the reform of our Economic and Monetary Union to preserve the stability of our single currency and to enhance the convergence of economic, fiscal and labour market policies between the Member States that share the single currency.’

Jean-Claude Juncker, political guidelines, 15 July 2014



A deeper and fairer Economic and Monetary Union

On 1 January 2019 Europe celebrated the 20th anniversary of the euro. Since its launch, the euro has been the second most used reserve currency in the world. Today, 60 countries link their currencies to the euro in one way or another. And soon the euro area will represent 85 % of the overall gross domestic product of the entire European Union.

Despite the difficulties of recent years, public support for the euro and Economic and Monetary Union in Europe remains at a record high.

The EU has taken important steps towards a deeper and fairer Economic and Monetary Union and towards completed Banking and Capital Markets Unions.

Financial stability has been considerably reinforced in the euro area and throughout the EU since the outbreak of the financial crises. Today, banks are much better capitalised. The ratio of non-performing loans has almost halved since 2014 and are approaching pre-crisis levels. Still, to harness the full potential of the euro, more needs to be done.

At the Euro Summit in December, EU leaders took further steps to deepen the Economic and Monetary Union by backing plans for a common backstop to the Single Resolution Fund, endorsing reform of the European Stability Mechanism. They also called for the development of a budgetary instrument to support economic convergence and competitiveness in the euro area and future euro area Member States, based

on the proposals made by the Commission in the context of the next long-term budget.

Also in December, the Commission presented ideas for the strengthening of the international role of the euro in an increasingly complex and multi-polar world and to better reflect Europe's economic, political and financial weight.

Completing the Banking Union



EU citizens' **deposits** up to

€100 000

are always safe even if the bank has difficulties

The completion of the **Banking Union** is a major step in deepening the EU's Economic and Monetary Union. Since 2014, risk reduction has continued at a sustained pace in the EU financial sector and should pave the way for further risk-sharing through a **European Deposit Insurance Scheme**. The European Commission proposed in 2015 a euro area-wide scheme to complement existing national deposit guarantee schemes. EU legislation already ensures that all deposits up to €100 000 are protected in case of a bank failure. Through a single fund, the scheme would provide a stronger and more uniform degree of insurance cover in the euro area.

In regard to the backstop to the Single Resolution Fund for the Banking Union, EU leaders agreed on its modalities in December. The backstop will be provided by the European Stability Mechanism and reinforces confidence in the EU banking system. It will be activated as a last-resort insurance in the event of major bank resolution cases.

Banking sector risks have been significantly reduced in the EU in recent years. Banks under the supervision of the European Central Bank have raised €234 billion of additional capital since 2014 and have much larger liquidity buffers. New rules were agreed in December 2018, further strengthening banks' resilience and the possibility for banks to exit the market without costs for taxpayers.

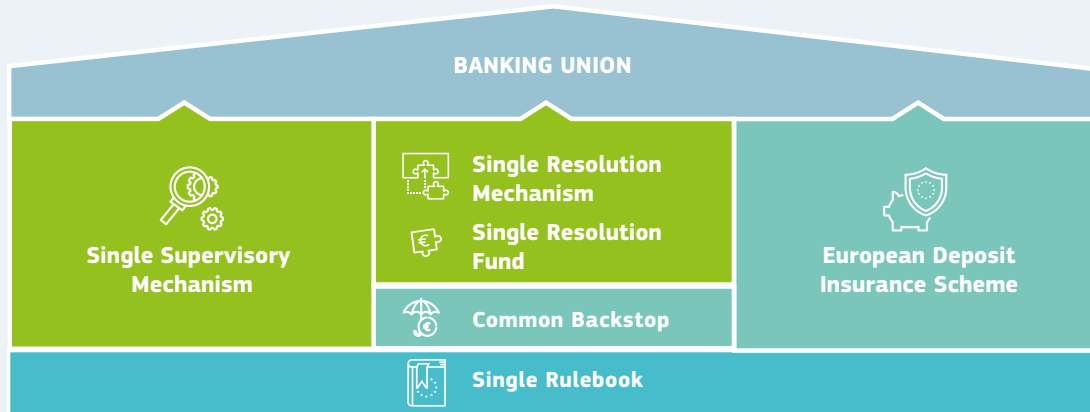
In addition, the proportion of non-performing loans — where a borrower is unable or unwilling to repay a bank loan — has decreased significantly, including in Member States where this was particularly high. In November an EU-wide stress test of the European banking sector coordinated by the European Banking Authority showed that Europe's banks had become more resilient to macroeconomic shocks. The test covered 48 of Europe's largest banks, including 33 directly supervised by the European Central Bank accounting for about 70 % of euro area banking assets.

In March 2018, the Commission presented legislation to address the remaining stocks of non-performing loans and prevent their possible build-up in the future, and on the creation of an enabling framework for Sovereign Bond-Backed Securities, allowing for wider diversification of banks' portfolios of sovereign bonds. Progress was made on the proposals regarding non-performing loans with



Commission Vice-President Valdis Dombrovskis at the Summer Davos Conference, Tianjin, China, 19 September 2018.

ENSURING EU BANKS ARE STRONGER AND BETTER SUPERVISED



agreement being found on one key element in particular: ensuring sufficient loss coverage by banks for future non-performing loans. Work is still ongoing on two other elements: enabling accelerated out-of-court enforcement of loans secured by collateral, and further developing secondary markets for non-performing loans where banks can sell such loans to credit servicers and investors.



Mario Draghi, President of the European Central Bank, discussing the European Central Bank Annual Report for 2016 at the plenary session of the European Parliament, Strasbourg, France, 5 February 2018.

Member States' progress towards adoption of the euro

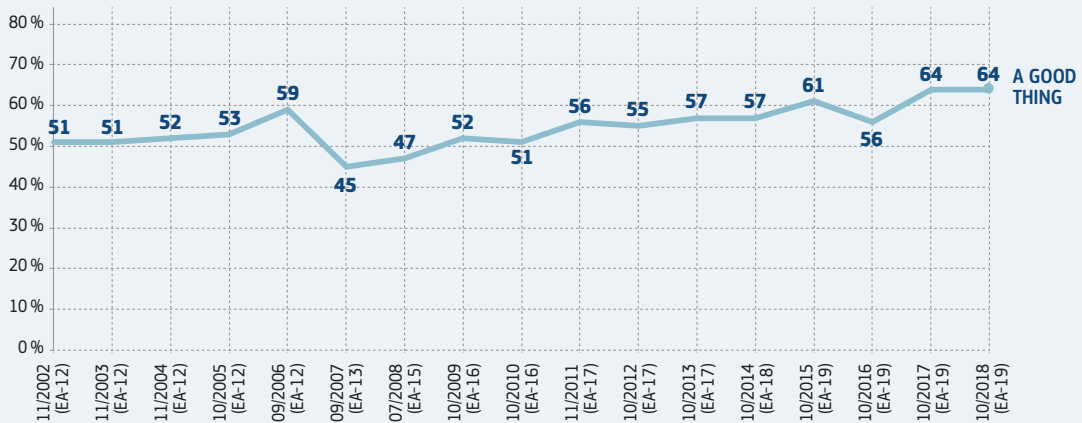
May saw the release of the European Commission's biannual assessment of certain Member States' readiness to adopt the euro as their currency. The [Convergence Report](#) forms the basis for the Council of the European Union's decision on whether a Member State fulfils the conditions for joining the euro area. The report, which is issued in parallel with a separate assessment conducted by the European Central Bank, covers the seven Member States that are committed to adopting the euro but have not yet done so, namely Bulgaria, Czechia, Croatia, Hungary, Poland, Romania and Sweden.

While all seven Member States generally display considerable nominal convergence, the report found that none of them currently meet all the formal conditions for participating in the common currency. While Bulgaria and Croatia fulfil all of the convergence criteria, except for the exchange rate criterion, the report found that only Croatia's legislation was fully compatible with the rules of the Economic and Monetary Union.

SUPPORT FOR EURO AT RECORD HIGH

Generally speaking, do you think that the euro is a good or a bad thing for your country?

(% — Euro area (EA))



Base: all respondents (N=17 589)

The proportion of respondents who think having the euro is a good thing for their country has continued to increase since 2007, reaching its highest ever level since the study began in 2017 and 2018.



Commission Vice-President Valdis Dombrovskis at an event to celebrate the first 20 years of the euro, Brussels, Belgium, 3 December 2018.

The review of other factors found that the non-euro area Member States are generally well integrated economically and financially in the EU. However, some still experience macroeconomic vulnerabilities and/or face challenges related to their business environment and institutional framework which may pose risks to the sustainability of the convergence process.

The Commission is committed to support Member States that are preparing for joining the euro area. Through a dedicated work stream in its Structural Reform Support Programme, upon request the Commission will provide targeted support to Member States who wish to adopt the euro. Achieving convergence and building robust economic structures is crucial for the prosperity of the EU as a whole and the smooth functioning of the euro.

Greater social fairness in the Economic and Monetary Union

The [European Pillar of Social Rights](#) sets out essential principles for well-functioning and fair labour markets and welfare systems. While a strong focus on employment and social performance is particularly important to increase the resilience and deepen Economic and Monetary Union, delivering the European Pillar of Social Rights is a shared political commitment and responsibility at Union level and at Member State level within their respective competence.

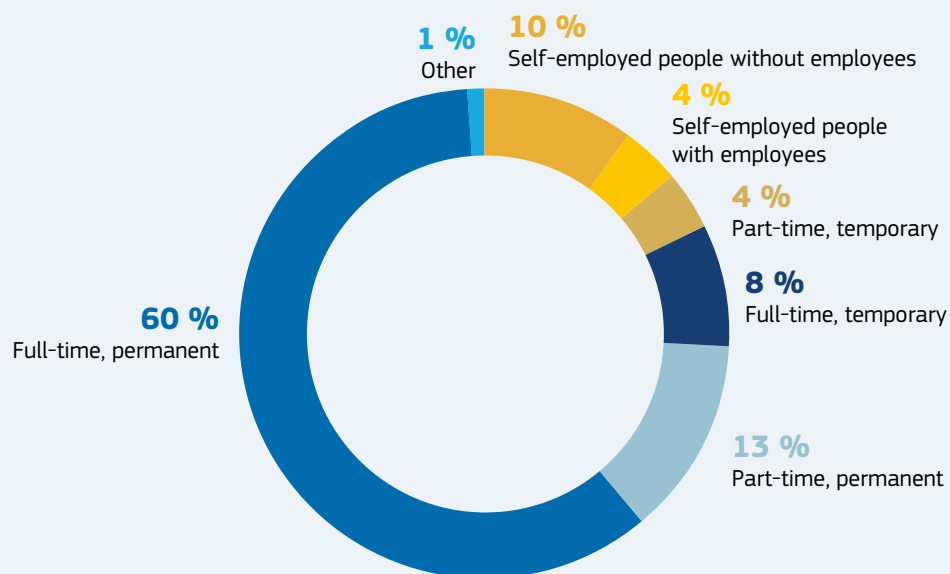


85 % of respondents

consider that the free-market economy should go with a high level of social protection.

Source: Eurobarometer, November 2018.

THE LABOUR MARKET IN THE EU TODAY



A strong social dimension is an essential part of Economic and Monetary Union. The European Pillar of Social Rights was jointly proclaimed by the European Parliament, the Council and the Commission in November 2017. It serves as a compass for tackling new social challenges to ensure modern, inclusive and competitive societies.

While today's more flexible working arrangements provide new job opportunities, especially for young people, they can give rise to economic uncertainty and inequalities. In line with the principles of the Pillar of Social Rights, the Commission wants to make sure that all people have a fair chance of pursuing a full working life, enjoy decent working conditions, and have sufficient social protection, regardless of the type of employment contract they have. Alongside the proposal for the actual Pillar, in 2017 and 2018 the European Commission proposed specific initiatives to put it into practice.

For instance, in March the Commission proposed a [Social Fairness Package](#) which includes proposals for a European Labour Authority to ensure that EU rules on fair labour mobility are enforced in a fair, simple and effective way (see also Chapter 4).



Commissioner Marianne Thyssen during a visit to Aveiro, Portugal at the Social Action Centre of the Municipality of Ílhavo (CASCI), an EU-funded project that offers social assistance and job opportunities to people at risk of social exclusion, including people with disabilities, 26 April 2018.

The Social Fairness Package also included a proposal for a [Council Recommendation on access to social protection for workers and the self-employed](#). Ministers concluded a political agreement on this proposal in December. The Recommendation aims to support people in non-standard forms of employment and self-employment who, due to their employment status, are not sufficiently covered by social security schemes and are therefore exposed to higher economic uncertainty.

The Recommendation covers social security schemes for unemployment, sickness and healthcare, maternity/paternity leave, accidents at work and occupational diseases, invalidity, and old age. The goal is to encourage EU countries to ensure that all non-standard workers and the self-employed can join and contribute to social security schemes, closing formal coverage gaps. It also aims to allow them to build up and take up adequate social benefits as members of a scheme and increase transparency regarding social security systems and rights.

Balancing work and family life

The Commission put forward a [proposal for a new directive on work-life balance for parents and carers](#) in 2017. As one of the key deliverables of the European Pillar of Social Rights, this initiative sets a number of new or higher minimum standards for paternity, parental and carer's leave and flexible working arrangements. Negotiations between the European Parliament and Council are ongoing. They reached a provisional agreement in December.

Transparent and predictable working conditions

In June 2018, Member States reached an agreement on the Commission's [proposal for a directive on transparent and predictable working conditions](#). The proposal aims to ensure that in a modern and flexible labour market, all workers in the EU are fully informed in writing on the basic conditions of their employment relationship, and sets out new rights for all workers, including those in non-standard forms of employment. Negotiations between the European Parliament and the Council were ongoing at the end of 2018.

Tackling employment and social challenges

The European Pillar of Social Rights played a guiding role in the 2018 cycle of economic policy coordination, known as the European Semester. As a result, there was an even greater emphasis on employment and social challenges in the recommendations issued to Member States. A new social scoreboard was put forward in the draft Joint Employment Report. It tracks trends and performances across EU countries in three areas related to the Pillar's 20 principles: equal opportunities and access to labour market; fair working conditions; and social protection and inclusion.

Against the background of a positive economic outlook, the 2018 country-specific recommendations seek to promote a forward-looking approach, focusing on building the basis for sustainable, inclusive and long-term growth. Engagement at all levels, including with social partners and civil society, will be crucial to achieve this goal. The recommendations were adopted by the Council in July.

Supporting reforms in Member States

While Europe's economy has strengthened and is on a steady growth path, further structural reforms are needed to make our economies more stable, inclusive, productive and resilient.

To support these reform efforts, in 2015, the Commission created the Structural Reform Support Service, which helps Member States prepare, design and implement reforms. The support is given purely on demand and is tailor-made for the Member State.

Demand for the service has far outstripped expectation. To date, the Service has engaged, through the Structural Reform Support Programme and other sources, in almost 500 technical support projects in 25 EU Member States. This means, for example, assisting Member States in reforming education and healthcare systems, modernising public financial management, reforming tax administrations, increasing the efficiency of public administrations and judicial systems, developing digital economy, creating business-friendly environments and improving access to finance.

For example, the Ministry of Justice in Croatia received support in its efforts to improve the country's court management to underpin an effective judicial system and respect for the rule of law. The Commission is also supporting Slovakia in its efforts to make the health system more effective and efficient, and Latvia in implementing its mid-term tax strategy. Support has also been provided to Bulgaria to help create a more business-friendly environment and to the Baltic states to help improve the functioning of capital markets in the region.

With growing demand from Member States, in December 2017 the Commission proposed to increase the funding of the Structural Reform Support Programme. The proposal was approved by the European Parliament and the Council in 2018, bringing the total budget of the Programme to €222.8 million up to 2020. This will enable the EU to respond to the high demand for support from Member States.

Fair competition

Over the last decade, EU State aid control in the banking sector has made a vital contribution to restoring the health of the EU banking sector by requiring banks to restructure and clean up their balance sheets as a condition to receiving State support. The Commission also helped to tackle remaining legacy problems at EU banks.

In Cyprus, the Commission approved State aid to finance the orderly market exit of Cyprus Cooperative Bank, including the sale of some parts to Hellenic Bank and the removal of €6 billion of non-performing loans. This was coupled with binding commitments by Cyprus to reform the judicial framework, helping to tackle non-performing loan issues going forward and to reduce costs for taxpayers.

In Italy, as part of its restructuring plan, Banca Monte dei Paschi successfully disposed of €24.6 billion in bad loans via the aid-free Italian guarantee scheme 'GACS', set up in 2016. From January to September 2018, nine more market-conform GACS transactions took place, removing in total a further €14.4 billion in bad loans from the Italian banking system.

The Commission also positively concluded an investigation into the aid that Nova Ljubljanska Banka in Slovenia received in 2013 by accepting measures proposed by Slovenia ensuring that it will become a viable player in Slovenia's banking market.

In 2018 the Commission approved the sale of HSH Nordbank in Germany to private investors without any further aid. Indeed, most of the banks that were supported by taxpayers during the crisis in the interest of financial stability are now exiting their State aid procedure and have become attractive again for private market participants.

State aid control in the banking sector will continue its independent role in ensuring a fair and competitive financial sector, in close coordination with the bank resolution framework of the Banking Union.

Strengthening the international role of the euro



Commission Vice-President Valdis Dombrovskis and Christine Lagarde, Managing Director of the International Monetary Fund, at the Spring Meetings of the World Bank and IMF, Washington, United States, 21 April 2018.

In his State of the Union address in September, European Commission President Jean-Claude Juncker announced plans to introduce further initiatives to strengthen the international role of the euro. The Commission's proposals, announced in December, are part of Europe's commitment to an open, multilateral and rules-based global economy and have the potential to bring tangible benefits to European citizens and businesses, including lower trading costs, more choice, better access to financing, greater autonomy and a more resilient global financial system.

The core of the proposals revolves around initiatives to enhance the attractiveness of the euro as a global currency by improving the resilience of Europe's economy and the depth, liquidity and efficiency of its financial markets, notably by completing the Capital Markets Union. The proposals also call for greater use of the euro in strategic sectors such as energy, raw materials and transport, and for a more unified representation of the euro area in the international arena.

The EU's long-term budget 2021-2027

In May 2018 the European Commission put forward two proposals that demonstrate how the EU's next long-term budget (2021-2027) could contribute to stability, convergence and cohesion in the euro area and the EU while boosting economic performance and resilience.

The proposed Reform Support Programme will support priority reforms in all EU Member States, with an overall budget of €25 billion. It comprises three elements: a Reform Delivery Tool, to provide financial support for reforms; a Technical Support Instrument, to offer and share technical expertise; and a Convergence Facility, to help Member States on their way to joining the euro. The Programme would enable the EU to respond to the high demand from Member States for support in preparing, designing and implementing growth-enhancing reforms.

The proposal for a European Investment Stabilisation Function will help stabilise public investment levels and facilitate rapid economic recovery in cases of significant economic shocks in Member States of the euro area and those participating in the European Exchange Rate Mechanism.

‘European trade policy means making the most of opportunities with like-minded partners across the world. It also means working to improve and shape the global rules-based system so that it continues to deliver peace, prosperity and progress.’

Jean-Claude Juncker, Keynote speech ‘Transatlantic relations at a crossroads’, 25 July 2018



A balanced and progressive trade policy to harness globalisation

The EU reaffirmed its position as a trade power in 2018, continuing to be one of the world’s most open economies and pursuing an ambitious trade negotiations agenda which aims to open markets and create a level playing field for EU firms around the globe. The EU has concluded trade agreements with 70 countries around the world, accounting for 40 % of the world’s gross domestic product. The European economy depends on trade: every €1 billion in exports supports 14 000 jobs in Europe. Openness combined with high standards remains the best way to make globalisation work for all Europeans.

With 36 million EU jobs depending on exports, 80 % of imports used as input for EU goods or services, and 90 % of global growth in the coming

decades expected to come from outside the EU, open trade is more important than ever for the EU.

The EU is committed to a rules-based multilateral trading system as the basis for prosperity. It continues to play a leading role in the World Trade Organization and has proposed ideas for reforming it. When others break international trade rules or engage in unfair trading practices, the EU defends European businesses, workers and citizens.

In 2018, the EU defended its interests in the face of protectionist tendencies and growing barriers to trade. Stronger and more effective trade defence rules came into force. The EU also began the process of setting up a new framework for screening

strategic investments from outside the EU.

The EU reached a new agreement on trade with Mexico, signed a trade deal with Japan, and continued talks with Mercosur. The EU also made good progress in other trade negotiations, including with Chile, and launched talks for trade agreements with Australia and New Zealand.

A balanced and progressive trade policy

In recent years, international trade has faced mounting challenges, with renewed doubts about the effects of globalisation, questions about the purpose and value of trade agreements, and resurging protectionism. In response, the EU redoubled its efforts to defend the rules-based system of international trade underpinned by the World Trade Organization in 2018, working closely with trading partners with a view to modernising international trade rules.

The EU continued to play a leading role in the World Trade Organization. It reiterated its strong commitment to the organisation and its continued support for finding solutions to important issues in the global multilateral trading system. In September 2018, the EU put forward a concept paper on the reform of the organisation. It highlighted the need to update the rulebook on subsidies and forced technology transfers, which are at the heart of growing trade tensions, as well as to improve transparency in the organisation. It also stressed the need to unblock the appointments of Appellate Body members so that the organisation's system for resolving conflicts is upheld.

Trade policy must also be effective, transparent and based on values. The fundamentals of the [2015 Trade For All Strategy](#) continued to guide the approach taken in 2018: openness combined with high standards remains the most appropriate way to make globalisation work for all Europeans.

The EU continued its efforts to negotiate new trade deals, update existing agreements and to ensure that business, workers and consumers can reap the benefits of trade agreements.

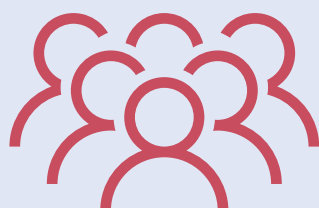
Progress was also made on legislation for the EU's proposed framework to screen foreign direct investment on grounds of security and public order. This aims to ensure that foreign investment remains a major source of growth in the EU while simultaneously protecting the EU's essential interests. In November the Council and the European Parliament reached a political agreement on the final shape of the framework. The Parliament is to vote on the agreement in February 2019 and the Council is due to adopt the Regulation soon after. The Regulation is expected to enter into force in April 2019.

Through its Market Access Strategy, the EU tackles market access barriers around the globe, while remaining committed to balanced, rules-based and responsible trade.

A Europe that protects

Europe is an open continent, but not a naive one. The EU stands up for its values and interests. Its trade policy robustly defends European businesses and workers when others break global trade rules or engage in unfair trading practices.

When diplomatic interventions fail, the EU does not hesitate to use the World Trade Organization's dispute settlement mechanism to enforce its rights and get the full benefits of membership for European businesses, workers and farmers. In 2018 the EU launched procedures against China



EU trade defence instruments are
defending 360 000 European jobs

relating to technology transfer, and against the United States on its measures on imports of steel and aluminium. Dispute procedures bring results: in 2018 Russia stopped imposing anti-dumping duties on light commercial vehicles from Germany and Italy.

In line with World Trade Organization rules and EU legislation, the EU opened 10 new investigations into, and imposed seven new trade defence measures against, unfair trade practices. Among the measures it imposed were anti-dumping duties on steel from China so that its export price reflected a fair market value. The EU also opened 17 new review investigations and renewed seven existing measures for another 5 years.

In July the EU imposed provisional safeguard measures on imports of 23 categories of steel products. Those measures aim at addressing the potential trade diversion of steel from other countries to the EU arising from additional tariffs imposed by the United States.

The EU also protects EU industries when third countries open trade defence investigations (anti-dumping, countervailing or safeguard investigations) against EU exports. Examples include the proceedings launched by the United States (steel and aluminium, solar panels, olives), Turkey (tyres) or Israel (cocoa spread).

In June 2018 the EU's modernised anti-dumping and anti-subsidy legislation entered into force. Along with the December 2017 changes to the rules on the calculation of the dumping margin where state intervention distorts prices and costs, this modernised legislation is the first major revamp of the EU's trade defence instruments since the establishment of the WTO in 1994. The new regulations adapt the EU's trade defence instruments to the challenges of the global economy. They are more effective, more transparent and easier for companies to use, and enable the EU to impose higher duties on dumped products.

Patents are essential to the EU economy and international trade as incentives for innovation, while access to standards is important for technological development. The relationship between patents and standards is a priority to the EU. In October, the EU set up a group of 15 experts on Standard Essential Patents. These patents are part of standardised technology and the group provides the European Commission with expertise and advice on how to improve their licencing. It held its first meeting on 12 November.

European exporters continue to face barriers to trade around the world. In June the European Commission's Annual Report on Trade and Investment Barriers showed that in 2017, European exporters faced 396 barriers in over 57 countries, a big rise on 2016. The report showed that the European Commission's Market Access Strategy had removed 45 obstacles affecting EU exports worth €8.2 billion — more than twice the number removed in 2016.

The EU continues to take a clear stand on goods used for capital punishment and torture. In September the Alliance for Torture-Free Trade, which the EU co-launched in 2017, met at the United Nations General Assembly. Delegations from a further six countries, including Australia and New Zealand, joined the Alliance and members agreed to take measures to restrict and stop trade in goods used for capital punishment and torture and to work towards a binding United Nations resolution.

A Europe that takes the lead

The trade agreements that the EU has negotiated or is negotiating aim to ensure that trade works for everyone. These agreements help the EU to export Europe's high standards for food safety, workers' rights, the environment and consumer rights far beyond Europe's borders.

The EU played a leading role in United Nations discussions on reforming how investors can settle disputes with countries. In 2018 the EU pursued its efforts to establish a multilateral court for settling such disputes, a major innovation in global governance.

In June EU Trade Commissioner Cecilia Malmström presented the Belgian city of Ghent with the first EU Fair and Ethical Trade City Award, which recognises local initiatives to encourage fair and ethical trading practices.

The EU–Mexico Trade Agreement

In April the EU and Mexico concluded the negotiations on a new trade deal. Almost all trade in goods between the EU and Mexico will be duty-free, including agricultural products. Simpler customs procedures will benefit EU industry and agriculture.

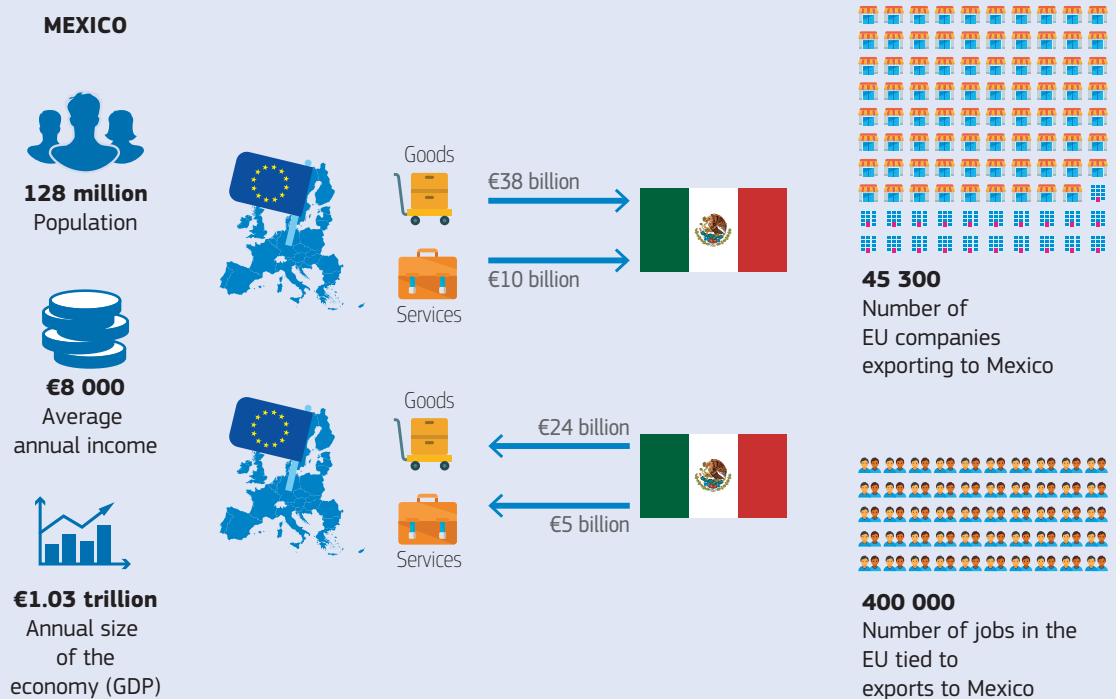
The agreement sets the highest standards of labour, safety, environmental and consumer protection. It refers explicitly to the precautionary principle, which allows policymakers to act to protect human, animal or plant health, or the environment, in the face of a perceived risk and at a level they consider appropriate, even when scientific analysis is not conclusive.

The agreement includes a commitment to implement the Paris climate agreement. It also safeguards EU Member States' right to organise public services how they want.

It is the first EU trade agreement to tackle corruption, such as bribery and money laundering, in the private and public sectors.

The agreement places European and Mexican firms on an equal footing when bidding for government contracts in each other's public procurement markets. The new deal also protects intellectual property rights and prevents copies of 340 traditional EU regional food and drink products from being sold in Mexico.

EU-MEXICO TRADE AGREEMENT



The agreement opens up trade in services, such as financial services, transport, e-commerce, and telecommunications, and ambitious competition and subsidy provisions will help level the playing field and boost market access.

The trade deal also improves investment conditions and includes the EU's new investment court system, ensuring transparency and governments' right to regulate in the public interest. The EU and Mexico agreed to work towards setting up a Multilateral Investment Court.

The Economic Partnership Agreement with Japan



Jean-Claude Juncker, President of the European Commission, attends the EU–Japan summit alongside Shinzō Abe, Prime Minister of Japan, in Tokyo, Japan, 17 July 2018.

At the EU–Japan summit in Tokyo in July, Commission President Jean-Claude Juncker, Council President Donald Tusk and Japanese Prime Minister Shinzō Abe signed the EU–Japan Economic Partnership Agreement, the largest and most important bilateral trade deal ever concluded by the EU.

Japan and the EU share a strong commitment to democracy, the protection of human rights, free and open trade, multilateralism and a rules-based international order. Japan is a long-standing strategic partner of the EU and an important ally on the international scene.

Entering into force on 1 February 2019, the Economic Partnership Agreement will create an open trading zone covering 635 million people and almost one third of the world's total gross domestic product. It will remove trade barriers and contribute to the EU and Japan jointly shaping global trade rules.

The Agreement will remove nearly all the €1 billion in duties paid every year by EU companies exporting to Japan as well as a number of long-standing regulatory barriers, for example on EU car exports. It will increase EU exports and create [new opportunities for European companies](#) to the benefit of citizens. It will expand opportunities, namely for key EU agricultural exports, and protect the name of more than 200 traditional food and drink products in the Japanese market. The Agreement will make it easier for EU firms to provide services in Japan. Provisions on competition and subsidies will help level the playing field. The Agreement also includes a chapter on small and medium-sized enterprises. It provides for contact points and targeted information for smaller businesses, which is particularly relevant since four out of five current exporters to Japan are small firms.

The Agreement sets the highest standards of labour, safety, environmental and consumer protection, and fully safeguards public services. It has a dedicated chapter on sustainable development and is the first EU trade agreement to include a specific commitment to comply with the Paris Agreement on climate change.

In 2018, the EU continued negotiations with Japan on investment protection standards and dispute resolution, holding three meetings.

THE EU-JAPAN ECONOMIC PARTNERSHIP AGREEMENT — EXPORTERS IN YOUR TOWN



Almost 74 000 EU companies are already exporting to Japan. 78 % of these are smaller firms. They sell everything from biscuits to fireplaces in Japan, providing jobs to more than 600 000 Europeans. There are plenty of such companies in each part of Europe.



Bolestawiec Manufaktura, a Polish company, produces world-renowned pottery. With the help of EU trade agreements, it has grown at lightning speed, boosting revenues and greatly expanding its workforce in response to surging international demand.

» The Japanese are eager to buy Manufaktura's products and I'm sure the Economic Partnership Agreement between the EU and Japan will increase our sales, as did the agreement with South Korea.

Paweł Zwierz CEO, Manufaktura Sp. J.



Fruit wine producer Katlenburger Winery exports 10 % of its production to 17 countries around the world, including Japan.

» Small businesses in particular depend on exports because the domestic market is becoming more challenging and dominated by larger firms with big advertising budgets.

Klaus Demuth, CEO, Katlenburger Kellerei GmbH & Co. KG



France (Lyon):

- frozen pastries
- skiing equipment
- wine



Portugal (Porto):

- wall tiles
- construction materials
- towels



Seville-based Spanish shoe company Masaltos gets nearly two thirds of its revenue from overseas sales, with Japan accounting for 4 %.



The Italian clothing brand Herno is already well established in Japan. It opened its first store in Japan in 1971 in Osaka. The Japanese market accounts for over 15 % of Herno's sales.

» The new EU-Japan Economic Partnership Agreement is good news for companies like Herno. By cutting customs tariffs and simplifying standards, it'll help us free up time, resources and money to be invested more productively.

Claudio Morenzi CEO, Herno S.p.A.



Denmark (Aalborg):

- jams
- pillows
- mussel extract



Estonia (Tallinn):

- peat
- sardines
- fertilisers



Finland (Helsinki):

- washbasins
- letterboxes
- fireplaces



Czechia (Prague):

- dog food
- malt
- floor boards
- children's playground equipment
- glassware



With its headquarters in Villach in the state of Carinthia, microelectronics firm Infineon Austria is a leading business in the country.

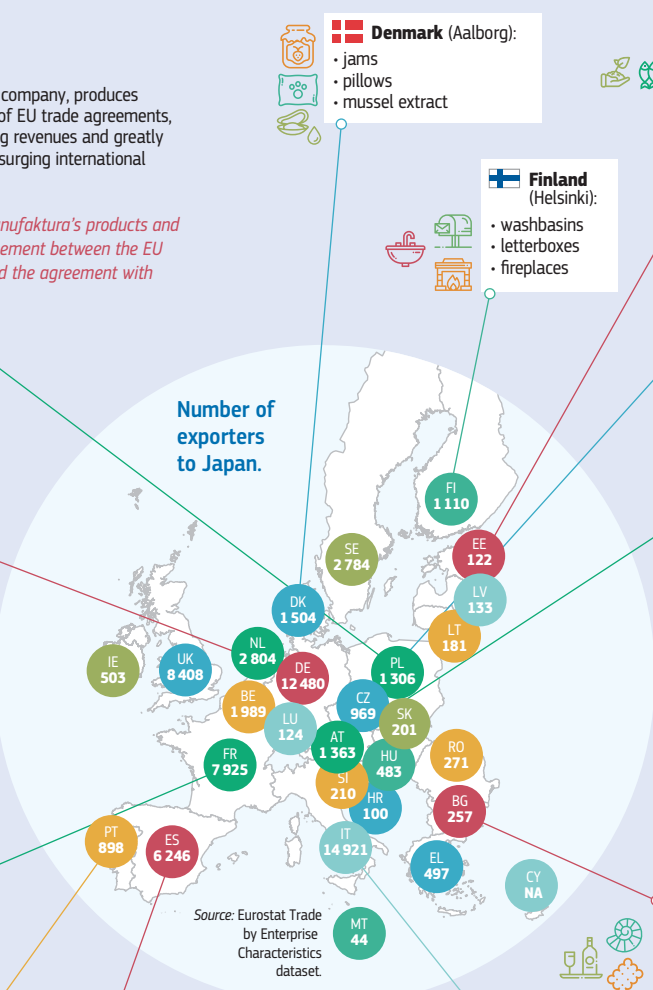
» The agreement would also make products cheaper for consumers. And it helps us compete globally, including over microelectronics.

Sabine Herlitschka CEO, Infineon Technologies Austria AG



Bulgaria (Sofia, Varna):

- snails and sea snails
- wine
- biscuits



THE EU-CANADA COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT — EXPORTERS IN YOUR TOWN



Almost 71 000 EU companies are already exporting to Canada. 79 % of these are smaller firms. They sell everything from batteries to chocolate in Canada, providing jobs to more than 860 000 Europeans. There are plenty of such companies in each part of Europe.


Source: Dun and Bradstreet, 2016

 Estonia Pianos is a company that produces grand and concert pianos of the highest quality. Around 80-85 % of Estonia's sales are outside the EU, mainly to the United States, Australia and China. The EU-Canada Agreement eliminates the 7 % tariff on EU grand pianos, making them more affordable in Canada.

Estonia Pianos can ship pianos and parts to Canada more easily, enabling them to provide an even better service to Canadian customers.

“The EU-Canada Agreement will help to lower the cost of Estonia Pianos for Canadian consumers by around 7 %. That makes us more competitive compared to makers from Asia.”

Dr Indrek Lau
Owner and Pianist, Estonia Pianos

 Smet Chocolaterie is a family-owned Belgian business making high-quality chocolates, chocolate products and sweets.

“Thanks to the CETA Agreement, our exports to Canada have grown by around 20 %. The removal of Canadian import tariffs has helped make our products more competitive in Canada. We've also just opened our first shop in Canada, in Mississauga, Ontario and plan to further expand.”

Johan Smet
Owner and CEO, Smet Chocolaterie



France (Blagnac):

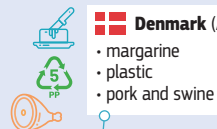
- aircraft parts
- apples
- bicycle parts



Portugal (Maia):

- washing powder
- ceramic
- cheese

 In 2017, Spain's exports to Canada of olives, olive oil, wine, juices, spices, and frozen and canned vegetables rose significantly.



Denmark (Aalborg):

- margarine
- plastic
- pork and swine



Finland (Vantaa):

- snowmobiles
- household goods
- wood machinery



Estonia (Saku Vald):

- boats
- machinery
- wood pulp



Czechia (Zlin):

- building blocks and bricks
- metal furniture
- metal-cutting shears



The Chapel Gate Irish Whiskey Company is Ireland's only Whiskey Bonder. Around 70 % of their exports are to outside the EU, and revenues from outside the EU are expected to triple next year.

“The agreement opens the way for small businesses like mine who must export to survive and grow. By lessening the tax burden we can become much more competitive in the global marketplace.”

Louise McGuane
Founder and CEO, Chapel Gate



Bulgaria (Sofia, Varna):

- mattresses
- foil
- medicines

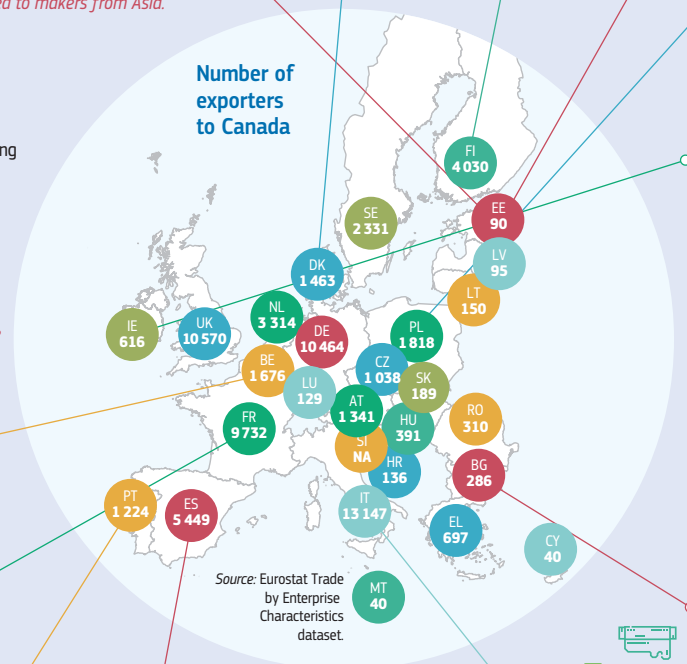


Prosciutto di San Daniele is a world-renowned dry cured ham. CETA protects the geographical indication Prosciutto di San Daniele meaning the ham can be sold under its proper name.

“With CETA, our producers of Prosciutto di San Daniele have seen their exports increase by more than a third since last year. Some producers have also been able to export to Canada for the first time.”

Under CETA we can now export our product to Canada under its proper name, which wasn't possible before.

Mario Emilio Cichetti
Director, Association Prosciutto di San Daniele



The Comprehensive Economic and Trade Agreement with Canada



Commissioner Cecilia Malmström meets with Jim Carr, Canadian Minister of International Trade Diversification, on the first anniversary of the Comprehensive Economic and Trade Agreement, Montreal, Canada, 26 September 2018.

On 21 September 2018 the provisional application of the EU's [Comprehensive Economic and Trade Agreement](#) with Canada celebrated its first anniversary.

The trade deal has the potential to save EU businesses over €500 million a year previously paid in Canadian tariffs on their exports. Almost 99 % of these savings started from day one.

All businesses can save time and money thanks to easier procedures. EU consumers can also benefit from wider choice and lower prices.

A transparent and inclusive negotiating process

Transparency and engagement with the public remained essential ingredients in trade policy in 2018 to ensure democracy, public trust and accountability. This must exist before, during and after negotiations, as well as when agreements are implemented.

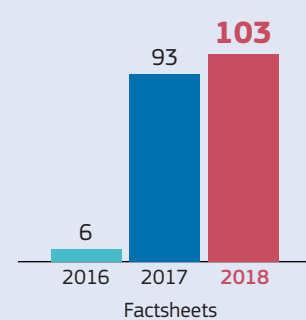
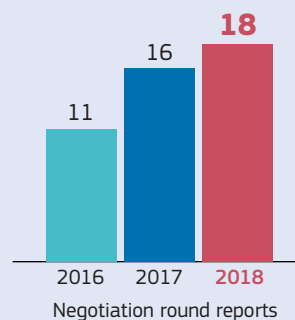
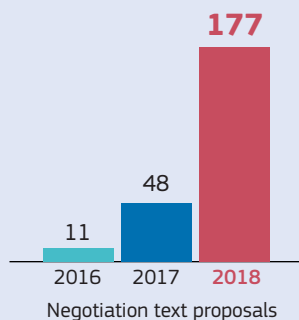
TRANSPARENCY IN TRADE NEGOTIATIONS



19 meetings with civil society (charities, citizens' organisations, business groups, etc.)



13 official meetings with the European Parliament's International Trade Committee



DIALOGUE WITH CIVIL SOCIETY ON TRADE POLICY



The Commission engages with

492
registered civil
society organisations
through a dedicated
permanent framework of
Civil Society Dialogue.



Over
1 200
participants
in **23 Civil Society
Dialogue Meetings**
in 2018.



**EU Trade Commissioner
Cecilia Malmström**
held four Citizens'
Dialogues in **EU Member
States** in 2018.

The European Commission continued to publish reports of negotiating rounds, position papers and proposals for texts in trade agreements under negotiation. It also published extensive additional material on the EU's trade agreement with Mexico. In 2018, the European Commission published its second comprehensive Annual Report assessing the implementation of the EU's trade agreements. This enabled stakeholders, civil society and other EU institutions to scrutinise how the EU is implementing the agreements. It also provides lessons for ongoing and future trade negotiations.

In February the new advisory group on EU trade negotiations held its first of six meetings. Composed of 28 organisations representing businesses, trade unions, consumers and environmental bodies, the group aims to foster dialogue and gather views from a wide range of stakeholders.

United States

The focus with the United States has been on addressing issues of common interest. In June, the US imposed tariffs on EU steel and aluminium exports. The EU considered them unjustified and illegal and had no option but to introduce rebalancing measures on US exports. Meeting in July, European Commission President Jean-Claude Juncker and US President Donald Trump agreed to establish an Executive Working Group to facilitate trade and develop a positive transatlantic trade agenda. The Group aims to identify ways to intensify regulatory cooperation, eliminate tariffs on industrial goods (apart from vehicles), facilitate trade in soybeans, increase trade in liquefied natural gas to reinforce energy security, and reform the World Trade Organization.

Four political-level meetings have been held since the Group was set up, with discussions focusing on regulatory issues. There have already been positive results. On liquefied natural gas, EU firms have signed several long-term contracts with US companies and new EU infrastructure and terminal projects are underway. The US has agreed to relax its licensing requirement for exporting liquefied natural gas to the EU. On soybeans, US exporters have roughly doubled their share on the EU market. While this work continues, both sides agreed not to introduce new tariffs on their trade.

China

The EU had a successful summit with China in 2018. It also held three rounds of talks for an investment agreement with China; the first market access offers were exchanged in the margins of the summit. Two rounds of negotiations took place on an agreement to protect the names of traditional food and drink products. China has agreed to work with the EU on reform of the World Trade Organization to help the organisation meet its current challenges.

Other negotiations

The EU has trade agreements with 70 partners covering 40 % of the world's gross domestic product. With a view to opening up new markets for European exports, the EU launched new trade negotiations and made good progress in ongoing talks.

Southern and eastern neighbourhood

In the southern neighbourhood, trade ministers and representatives from 43 Union for the Mediterranean countries met in March for the first time since 2010 to give a new impetus to the regional trade and investment agenda. They endorsed action plans on enhanced cooperation in a range of sectors and on the fight against piracy and counterfeiting.

Progress towards a Deep and Comprehensive Free Trade Area with Tunisia was achieved with two rounds of negotiations in 2018.

In June, the European Commission and the Gulf Cooperation Council held the second meeting of the EU–GCC Trade and Investment Dialogue.

In the eastern neighbourhood, the EU concentrated on implementing its agreements for deep and comprehensive free trade areas with Georgia, Moldova and Ukraine.

Latin America

Talks with Mercosur (Argentina, Brazil, Paraguay and Uruguay) continued in 2018. The negotiations aim to integrate two important regional markets, cut tariffs, increase business opportunities in the Mercosur region, widen consumer choice, cut red tape, boost growth and competitiveness, promote shared values like sustainable development and create jobs.

KEY FACTS ON MERCOSUR



A region of **260 million** consumers



The world's 7th largest economy and 5th largest market outside the EU with an **annual GDP of €2.2 trillion**



Closed markets with high tariff and non-tariff barriers



A destination for EU goods worth **€44.3 billion** (in 2017) and EU services worth **€19.1 billion** (2016)



A market for **60 500 EU companies**



EU direct investment abroad (2017) **€381.5 billion** (= net direct investment stocks abroad)

The EU held three rounds of negotiations with Chile to update the 2002 EU–Chile Trade Agreement. The EU has proposed including pilot provisions on trade and gender.

In April the EU concluded negotiations to modernise its trade agreement with Mexico.

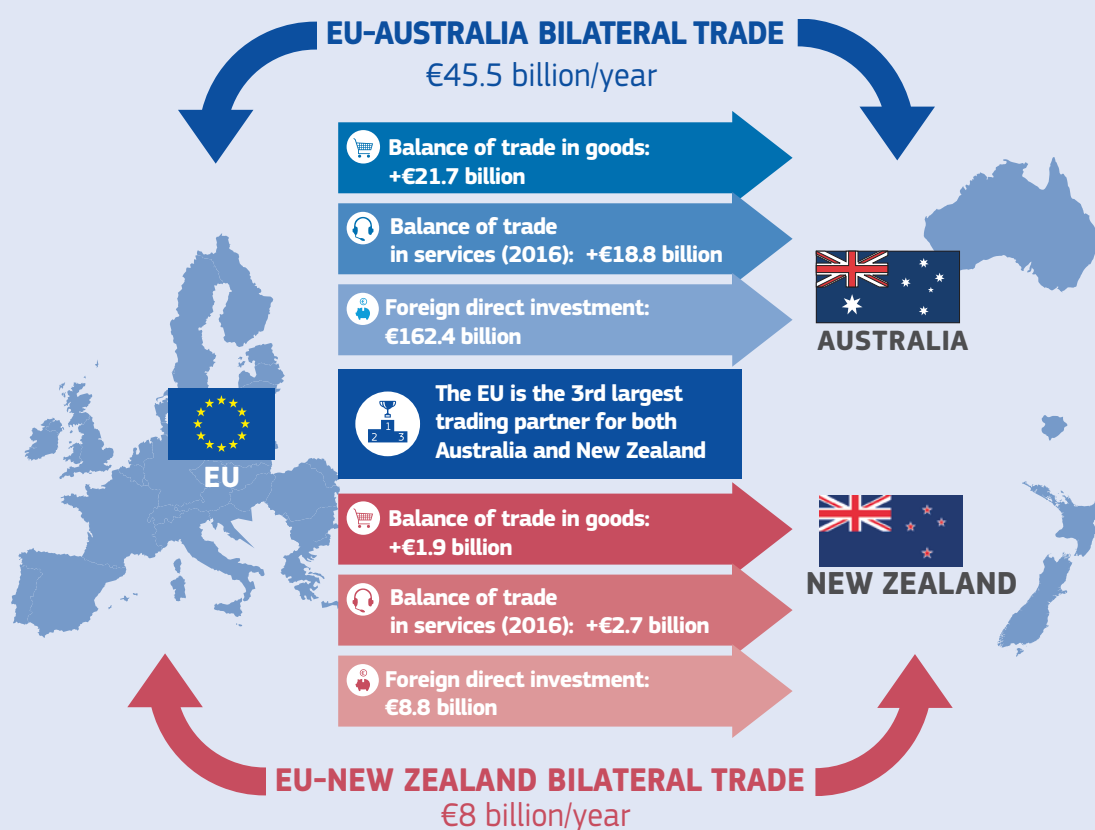
Asia and Australasia

On 19 October the EU signed trade and investment agreements with Singapore. In October the Commission sent the trade and investment agreements negotiated with Vietnam to the Council for its approval and to the European Parliament for its consent. The EU held three rounds of trade talks



Commissioner Karmenu Vella meets with Siti Nurbaya Bakar, Indonesia's Minister of Environment and Forestry, at the 8th EU–Indonesia Business Dialogue in Jakarta, Indonesia, 25 October 2018.

EU BILATERAL TRADE WITH AUSTRALIA AND NEW ZEALAND



with Indonesia. The negotiations aim to increase trade and direct investment between the EU and Indonesia. The objective is to reach an agreement similar to those agreed with Singapore and with Vietnam.

In June the EU launched negotiations for trade agreements with Australia and New Zealand.

In 2018 the EU held two rounds of talks with each country and the EU published proposals covering 18 negotiating areas.

Africa, Caribbean and Pacific countries

In August, The Gambia became the 14th West African country to sign the region-to-region Economic Partnership Agreement with the EU. In September, Mauritania became the 15th (with only Nigeria's signature still missing). On 6 December, the Council approved Samoa's accession to the Economic Partnership Agreement with Pacific countries. Economic Partnership Agreements are trade and development agreements negotiated between the EU and African, Caribbean and Pacific countries and regions. They are currently being put into practice with some 30 African, Caribbean and Pacific countries. These agreements can be seen as building blocks towards a future continent-to-continent free trade area, one of the aims of the new Africa–Europe Alliance for Sustainable Investment and Jobs, which also supports African efforts towards a continental free trade area.

The Year in Pictures



Council President Donald Tusk, Commission President Jean-Claude Juncker and Bulgarian Prime Minister Boyko Borissov attend the opening ceremony for the Bulgarian Council Presidency, Sofia, Bulgaria, 11 January 2018.



The European Year of Cultural Heritage was launched on 31 January 2018. The campaign poster used to promote the Year features the diversity and varied forms of cultural heritage that exist throughout Europe.

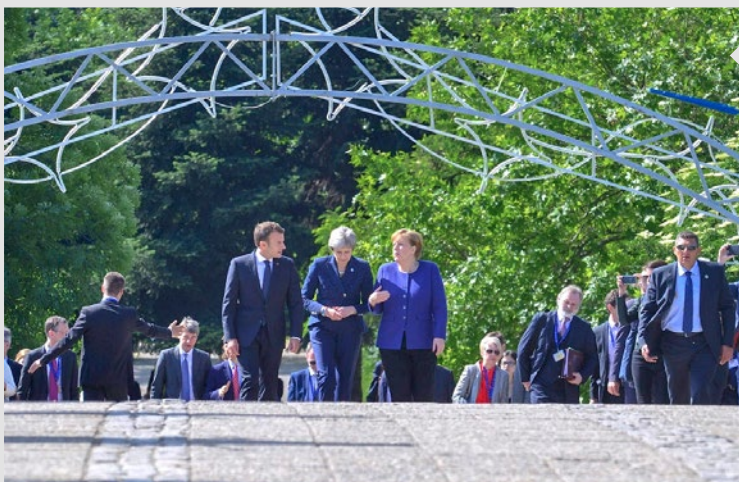
The EU-28 Heads of State or Government gathered for the Spring European Council Roundtable, focusing on economic affairs, including trade and taxation, Brussels, Belgium, 22 March 2018.



A poster for one of the five short films commissioned for the EU and Me campaign, directed by famous European film-makers, on the various rights people enjoy in the EU. The campaign won Gold at the Cannes Lions Festival. The campaign was launched on 9 May 2018.



The launch event of the #PassOnPlastic Pledge featured Plasticus, a plastic whale made from the same amount of plastic that ends up in the ocean every second, Brussels, Belgium, 15 May 2018.



French President Emmanuel Macron, UK Prime Minister Theresa May and German Chancellor Angela Merkel take a walk across the Lovers' Bridge during the EU-Western Balkans Summit, Sofia, Bulgaria, 17 May 2018.

A minute of silence is held for Nicole Fontaine, former President of the European Parliament (1999 to 2002), following her death in May, Strasbourg, France, 28 May 2018.



Council President Donald Tusk, UK Prime Minister Theresa May, German Chancellor Angela Merkel, US President Donald Trump, Canadian Prime Minister Justin Trudeau, French President Emmanuel Macron, Japanese Prime Minister Shinzō Abe, Italian Prime Minister Giuseppe Conte and Commission President Jean-Claude Juncker attend the G7 Summit in Quebec, Canada, 8 June 2018.

Simone Veil, former MEP and first female President of the European Parliament, received French national honours and was interred in the Panthéon, only the fifth woman to receive this honour, Paris, France, 1 July 2018.



Unemployment in the EU fell to its lowest level since 2008, while the EU employment rate reached its highest ever peak according to Eurostat statistics released on 2 July 2018.



Commission President Jean-Claude Juncker and Chinese Premier Li Keqiang at the EU–China Summit, Beijing, China, 16 July 2018.

Council President Donald Tusk, Japanese Prime Minister Shinzō Abe and Commission President Jean-Claude Juncker attend the EU–Japan Summit following the signing of a landmark EU–Japan Free Trade Agreement, Tokyo, Japan, 17 July 2018.



A man connects his electric car to a public charging pole, part of the City-zen smart city project in Amsterdam, the Netherlands, which received funding from the EU's Horizon 2020 programme. This funding forms part of President Juncker's Investment Plan for Europe, which surpassed its original €315 billion target for investment on 18 July 2018.

European cheeses on sale in Wellington, New Zealand. The EU and New Zealand launched talks for a comprehensive and ambitious trade agreement on 21 July 2018.



Danish firefighters coordinate their response to Swedish wildfires during summer 2018, as part of the EU's Civil Protection Mechanism, which pools resources for Member States in times of need, Kårböle, Sweden, 22 July 2018.



The Galileo satellite launch in Kourou, French Guiana, propelled the EU's Space Programme to new heights. Over 10 % of the EU's gross domestic product is already dependent on space-related services, 25 July 2018.

Commission President Jean-Claude Juncker and US President Donald Trump attend a press conference following their meeting on the road to reducing tariffs and other trade barriers between the EU and the United States, Washington, United States, 25 July 2018.



New €100 and €200 banknotes featuring updated security features were unveiled by the European Central Bank — strengthening the anti-counterfeiting capabilities of the euro and completing the Europa series of banknotes, Frankfurt, Germany, 17 September 2018.



Austrian Chancellor Sebastian Kurz, Council President Donald Tusk and Commission President Jean-Claude Juncker at the podium during an informal meeting of EU Heads of State or Government to discuss internal security and migration, Salzburg, Austria, 20 September 2018.

Commission President Jean-Claude Juncker takes part in the 1 000th Citizens' Dialogue, Freiburg, Germany, 1 October 2018.

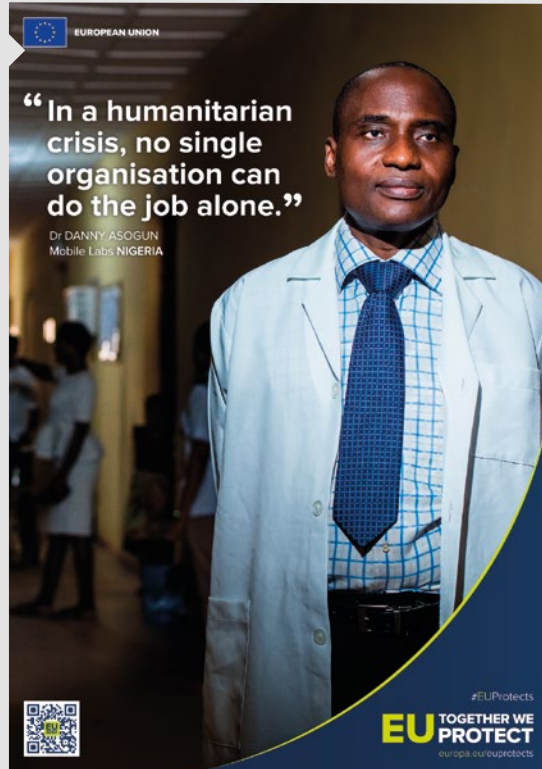


The Commission's Chief Negotiator for the withdrawal of the United Kingdom from the EU, Michel Barnier and UK Prime Minister, Theresa May meet for negotiations on the UK's departure from the European Union, Brussels, Belgium, 18 October 2018.

Unveiling ceremony of the portrait of the murdered journalist Daphne Caruana Galizia, in the presence of Parliament President Antonio Tajani and family members of Ms Caruana Galizia, Strasbourg, France, 23 October 2018.



The #EUprotects campaign was launched on 25 October 2018. It showcases everyday heroes from across Europe and beyond under the common slogan 'Together we protect'.



Géraldine Maitreyi Gupta is one of tens of thousands of young Europeans to have volunteered for the European Solidarity Corps. The Corps received the 'Innovation in Politics' Prize for 'Civilisation', awarded by the Innovation in Politics Institute in Vienna, Austria, on 17 November 2018.



The European Commission's Berlaymont building is lit up in orange in continued support of the UN's 'Orange the world' campaign to end violence against women, Brussels, Belgium, 24 November 2018.



Commission President Jean-Claude Juncker delivers a speech at the G20 Summit focused on international trade and tax systems, Buenos Aires, Argentina, 30 November 2018.

The '#EUROat20' launch event celebrating the first 20 years of the single currency, Brussels, Belgium, 3 December 2018.



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EU-funded scientist Gérard Mourou receives his Nobel Prize from King Carl XVI Gustaf of Sweden. Mr Mourou was among the Nobel Prize laureates in Physics in 2018, alongside Arthur Ashkin and Donna Strickland, for helping to revolutionise laser physics. Mr Mourou's research infrastructure project was previously awarded €500 000 from the EU's Seventh Framework Programme for Research. Stockholm, Sweden, 10 December 2018.

Europe once again led the way on environmental protection in Katowice, Poland, when the world agreed on a new rulebook to implement the Paris Agreement on fighting climate change, 15 December 2018.



A sign reading 'Strasbourg stronger than hate' is displayed at a tolerance march in Kleber Square, Strasbourg, France, after a gunman's attack on a Christmas market near the square, 16 December 2018.

President of Rwanda Paul Kagame, Austrian Chancellor Sebastian Kurz, Chairperson of the African Union Commission Moussa Faki Mahamat and Commission President Jean-Claude Juncker attend the High Level Forum Africa–Europe on digital cooperation, Vienna, Austria, 18 December 2018.





‘Our European Union is more than a big common market. It is also a Union of shared values, which are spelled out in the Treaties and in the Charter of Fundamental Rights. Citizens expect their governments to provide justice, protection and fairness with full respect for fundamental rights and the rule of law. This also requires joint European action, based on our shared values.’

Jean-Claude Juncker, political guidelines, 15 July 2014

An area of justice and fundamental rights based on mutual trust

The remaining foundations of the Security Union were laid in 2018 with a new set of proposals to deny terrorists and criminals the means to commit their crimes. This included measures to facilitate cross-border access to electronic evidence and access to financial information for law-enforcement authorities, measures to prevent document fraud and the use of false identities, and new rules on the freezing and confiscation of criminal assets. The EU also stepped up the fight against terrorism and terrorist content online.

In May a new era in data protection dawned across the EU with new rules providing a stronger and more consistent personal data protection framework for people, businesses and administrations.

The EU continued to work to improve the effectiveness of national justice systems and to promote and uphold the respect of the rule of law. To further strengthen fundamental rights, the Commission proposed EU-wide standards for the protection of whistleblowers, strengthened equality bodies, and also worked on the Gender Pay Gap Action Plan and the European Disability Strategy.

In September 2018 the Commission adopted a package of measures to help ensure free, fair and secure elections, as part of the preparations for the European elections in 2019. A preliminary agreement was expected between Parliament and Council in January 2019.

The Commission adopted a New Deal for Consumers,

thereby strengthening consumer rights, in the digital sphere and a European system of collective redress when groups of consumers have suffered harm.

Tackling terrorism and crime in Europe

The EU continued to implement its 2017 Action Plan on the protection of public spaces, backed up by over €100 million of funding. The implementation of the October 2017 [Action Plan](#) on enhancing preparedness against chemical, biological, radiological and nuclear risks accelerated following the incidents in Salisbury and Amesbury in the United Kingdom.

Three crucial directives to strengthen the fight against terrorism and serious crime also became applicable in 2018 including the EU Passenger Name Record Directive (PNR), the Directive on combating terrorism and the Directive on the control of the acquisition and possession of weapons.

The Commission made proposals in April to cut off terrorist financing by strengthening access to financial information. These would allow law-enforcement authorities timely access to the financial information necessary to investigate serious crimes. The new rules promote better cooperation between national law-enforcement authorities and national financial intelligence units, as well as with Europol. The proposal is currently being discussed between the European Parliament and Council, who aim to adopt it before the European elections in May 2019.

In September the Commission proposed new rules to have terrorist content taken off the web within 1 hour. The proposal clarifies the roles of the national authorities and the hosting service providers while also establishing robust safeguards that ensure the respect of fundamental rights such as the freedom of speech and the creation of a legally binding duty of care.

The Commission also launched an initiative inviting the European Council to amend Article 86 of the Treaty so as to enable the legislator to extend the competence of the European Public Prosecutor's Office to fight cross-border terrorism across all Member States. A reinforced European Public Prosecutor's Office, acting at EU level, would address the current shortcomings in the fight against terrorism and establish a common Union approach against terrorism — encompassing all steps, i.e. from investigating and prosecuting to bringing terrorist crimes to justice.

Criminals and terrorists use text messages, emails and apps to communicate. Over half of all criminal investigations today now include cross-border requests to obtain electronic evidence held by service providers based in other countries. However, almost two thirds of these crimes cannot be properly investigated or prosecuted because of the difficulties investigators face in accessing such evidence

WHAT WILL THE NEW PROPOSALS BRING?



Speed for fighting crime

Law enforcement and judicial authorities will be able to get hold of electronic evidence e.g. photographs and messages much more **easily** and **rapidly**.

The new proposal will require service providers to respond within **10 days**, and **within 6 hours for emergencies**. This will allow authorities to **investigate crimes and terrorism** more quickly and efficiently.



Harmonised, clear rules for service providers

The new rules are binding for service providers and will bring clarity and legal certainty to both service providers and law enforcement authorities. **They will provide a clear** procedure in case of **conflicting obligations** with the law of a non-EU country.

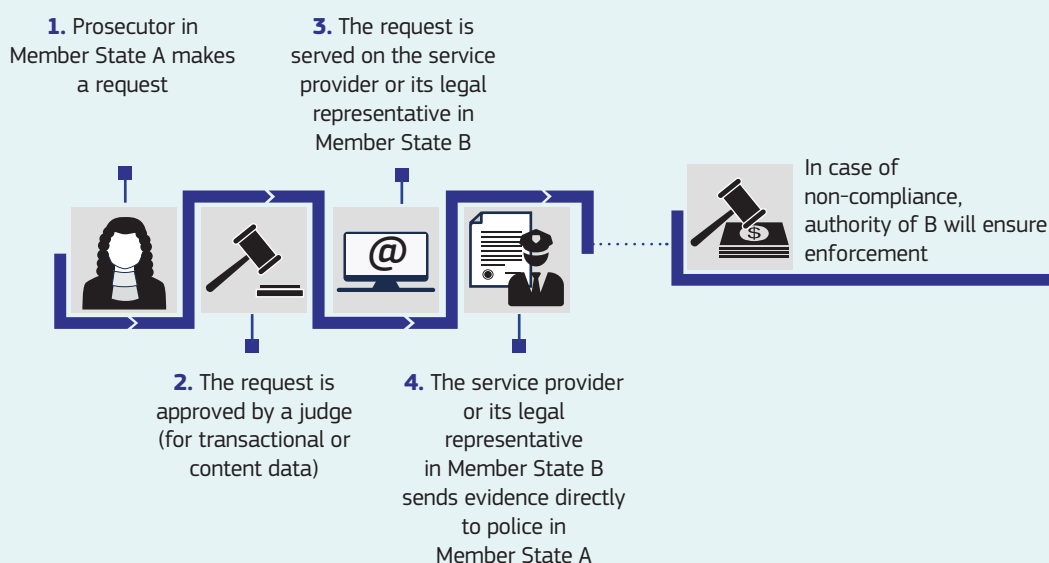


Respect of fundamental rights

The new rules also introduce conditions and safeguards that aim to ensure **fundamental rights are fully protected**, including safeguards for the right to personal data protection, ensuring effective remedies and safeguards for the subjects of requests.

FACILITATING ACCESS TO ELECTRONIC EVIDENCE

How will the proposed rules work?



This procedure also applies if the electronic evidence is stored in a non-EU country.

Safeguards:

- must be approved by judicial authority
- for transactional and content data, the European Production Order is limited to serious crimes
- individuals will be notified that their data was requested
- individuals will be notified of their rights
- criminal law procedural rights apply

in a timely manner. To address this issue, in April the Commission proposed new rules for judicial and law-enforcement authorities to get easier access to this evidence wherever it is stored in the Union. In December the Council adopted its negotiating position on the proposed Regulation, and will start negotiations with the European Parliament as soon as the Parliament adopts its negotiating position.

A new regulation on the freezing and confiscation of assets across borders was adopted on 14 November. The new rules will facilitate cross-border recovery of criminal assets, lead to more efficient freezing and confiscation of illicit funds, and protect the victims' rights to compensation.

The EU agreed to improve the legal framework of the European Criminal Records Information System, closing a gap in the system and helping Member States to identify third-country nationals with criminal convictions. This legislation will create a centralised system to identify EU countries from which detailed conviction information from national registers can be quickly obtained.

More effective legislation against money laundering

[New anti-money laundering rules](#) in force since July 2018 prevent EU financial systems from being used for money laundering or funding terrorists. In October 2018, the EU agreed on strengthened criminal law measures to counter money laundering. A new Directive will harmonise offences and sanctions for money laundering, ensuring that dangerous criminals and terrorists face equally severe penalties for their crimes across the whole EU. A [strengthened policy](#) for identifying third-country jurisdictions with

strategic deficiencies in their anti-money laundering and countering financing of terrorism regimes has been enforced, based on a methodology published by the Commission in June.

Despite the fact that the EU anti-money laundering framework is solid, recent cases involving EU banks clearly indicate that there is room for improvement, notably when it comes to cross-border cooperation between competent authorities. In September, the Commission presented a [proposal](#) to strengthen supervision of EU financial institutions to better address money laundering and terrorist financing threats, in particular through reinforcing the mandate of the European Banking Authority to act on money laundering supervision of the financial sector. The proposal is being discussed between the European Parliament and Council, with the aim of adopting it before the European elections in May 2019.

In addition, in April the Commission presented a proposal to facilitate the use of financial and other information for the prevention and combat of serious crime. This proposal will enhance the cooperation between Financial Intelligence Units and law enforcement authorities as well as Financial Intelligence Units between them.

Finally, the Commission adopted a Delegated Regulation adopting the regulatory technical standards on the criteria for the appointment of central contact points for electronic money issuers and payment service providers and with rules on their functions.

Civil justice

Improving judicial cooperation

In May, the Commission [adopted](#) two proposals on the modernisation and digitalisation of judicial cooperation in relation to the service of documents and the taking of evidence, which aim to make access to civil justice cheaper, more efficient and more accessible to citizens and businesses. These proposals are currently being negotiated in the Council and European Parliament.

In December, the Council and the European Parliament reached an agreement in trilogues on the proposed rules on [insolvency proceedings](#) to set up restructuring systems and give entrepreneurs a second chance. This initiative, which will be formally adopted in 2019, will increase the opportunities for viable companies in financial difficulties to restructure early on to prevent bankruptcy and avoid laying off staff. It will also ensure that honest entrepreneurs get a second chance at doing business after a bankruptcy.

In December 2018 the Council reached a political agreement on the proposed update of the 'Brussels IIa Regulation' to update the rules that protect children in cross-border family disputes and to speed up proceedings.

Company law and access to company information

In April the Commission proposed [new rules](#) concerning the use of digital tools and processes in company law and cross-border conversions, mergers and divisions. The aim is to enable companies to use digital tools in interactions with public authorities on company law issues and to provide a harmonised procedure for companies that restructure or relocate within the Single Market, while bringing more legal clarity and safeguards for employees, shareholders and creditors. The negotiations in the European Parliament and in the Council progressed well in 2018 according to an ambitious timetable that aims for adoption during the current legislature.

The [Business Registers Interconnection System](#), which makes it easier to find company information in the EU, was widely used in 2018, with over 372 000 searches for company information and over 241 000 requests for company details in the first 17 months since going live.

Stronger protection of personal data

The [General Data Protection Regulation](#), in force since May 2018, creates a stronger and more consistent data protection framework for people, businesses and administrations across the EU. In January the Commission issued guidance explaining the main innovations and opportunities brought by the new Regulation.

New data protection rules for EU institutions, bodies, offices and agencies came into force on 11 December 2018.

The proposed e-privacy rules aim to provide a high level of privacy protection for users of electronic communication services and a level playing field for all market players. The new rules ensure a strong and coherent framework for data processing and bring the existing rules, which date from 2002, into line with the General Data Protection Regulation to uphold citizens' rights to personal data protection.

Data flows are important for both business and law enforcement. By determining that a country outside the EU ensures an adequate level of data protection, adequacy decisions allow personal data to flow freely between the EU and the country in question for business reasons and/or allow law enforcement authorities to exchange data when needed, while ensuring the continuity of protection.

In July the EU and Japan concluded their talks on reciprocal adequacy for commercial purposes. In parallel, there are ongoing talks between the EU and South Korea on adequacy for commercial purposes which are expected to be completed in early 2019.



Giovanni Buttarelli, European Data Protection Supervisor, meeting with Indian Ambassador Gaitri Issar Kumar, Brussels, Belgium, 30 August 2018.

Fundamental rights and judicial systems

Improving the effectiveness of justice systems and upholding the rule of law

Effective justice systems are crucial for the application of EU law and for investment. In 2018 the Commission used the [EU Justice Scoreboard](#) and the [European Semester](#) to encourage Member States to improve the independence, quality and efficiency of their justice systems. The Council issued recommendations on this issue to Croatia, Italy, Cyprus, Portugal and Slovakia in July.

In September the Commission [referred](#) Poland to the Court of Justice of the European Union due to the violations of the principle of judicial independence created by the new Polish Law to lower the retirement age for Supreme Court judges. The [Court of Justice](#) issued interim measures granting all the Commission's requests until the Court has rendered a final judgment.

In the context of the new long-term EU budget, the Commission [proposed a Regulation](#) on the protection of the Union's budget in case of deficiencies regarding the rule of law in the Member States.

Protecting rights and fighting discrimination



Frans Timmermans, First Vice-President of the European Commission, presents the Commission proposal on the protection of whistleblowers, Brussels, Belgium, 23 April 2018.

In April the Commission proposed EU-wide standards for the protection of whistleblowers who report breaches of EU rules that can cause serious harm to the public interest. This will improve the detection, investigation and sanctioning of breaches of EU law and would safeguard the right to freedom of expression and media freedom.

The 2017 Report on the Application of the EU Charter of Fundamental Rights highlighted the pressing challenges in making fundamental rights a reality in people's lives. These range from improved responses to hate crime, hate speech and violence against women to the promotion of the European Pillar of Social Rights. The report also highlights the important role of a free and vibrant civil society and of independent courts.

In July the Commission addressed a letter of formal notice to Hungary regarding its law criminalising activities in support of asylum and residence applications, also to ensure the respect of EU rules on free movement of people and the provisions of the EU Charter of Fundamental Rights.

Fighting hate crime and hate speech online and offline

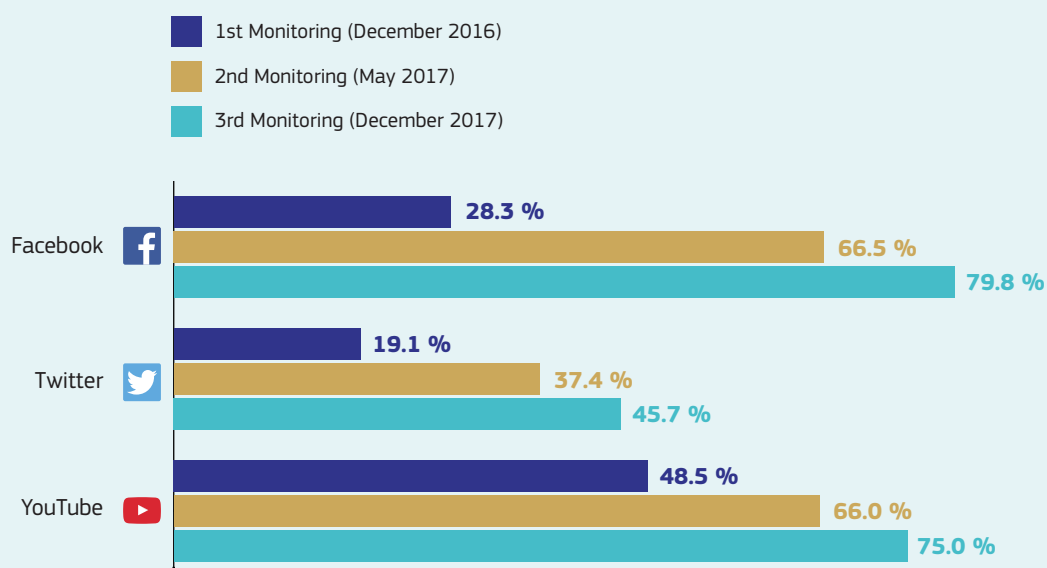
The EU's Code of Conduct on countering illegal hate speech online continued to show results. According to the third evaluation of the Code published in January 2018, further progress was made in swiftly reviewing and removing racist and xenophobic hate speech online.



Commission Vice-President Andrus Ansip at a press conference on tackling illegal online content, Brussels, Belgium, 1 March 2018.

TACKLING ILLEGAL CONTENT ONLINE

REMOVALS PER IT COMPANY (IN %)



IT companies removed on average 70 % of the content notified to them and met the target of reviewing the majority of notifications within 24 hours, reaching an average of more than 81 %. The Code has become an industry standard in the fight against illegal hate speech: Snapchat, Instagram, Google+ and Dailymotion announced their participation in 2018.

Non-discrimination and equality

Member States are obliged to have at least one organisation — an equality body — established in their country to analyse and monitor discrimination, as well as to promote and protect equal treatment of everyone living there. In June the Commission recommended a [set of measures](#) for Member States to ensure that equality bodies effectively protect citizens and fight discrimination.

One of the achievements of the European Disability Strategy is the Commission proposal for a [European Accessibility Act](#) to improve accessibility to everyday products and services, such as mobile phones, computers, e-books, e-commerce and banking services. This will have a positive impact on the lives of millions of Europeans and will make it easier and more attractive for businesses to create and sell accessible products and services. A provisional agreement was reached in November 2018 and final adoption of the proposal by the European Parliament is expected by April 2019.



Frans Timmermans, First Vice-President of the European Commission, participates in the official opening of the Belgian Pride Festival, Brussels, Belgium, 19 May 2018.



Commissioner Věra Jourová at the conference 'Unlocking Women's Potential', in Brussels, Belgium, 8 March 2018 (International Women's Day).

The EU continued to promote diversity by supporting the growing movement of Diversity Charters that provide support in diversity management for 9 000 organisations across Europe, covering 15 million employees. It also continued to implement its [List of Actions](#) to advance LGBTI equality by monitoring legislation, funding projects and raising awareness.

In January the Commission published an in-depth evaluation of the EU framework for National Roma Integration Strategies 2011-2020. The EU actively promoted Roma culture during [EU Roma Week](#) in April and commemorated the Roma Holocaust.

On average, women still [earn 16 % less than men](#) in the EU. To tackle the gender pay gap, the Commission began implementing an [action plan](#) to achieve equal pay between men and women, with measurable progress expected by 2020.

The EU concluded the accession to the Council of Europe's Istanbul Convention on combating and preventing violence against women and domestic violence. This is a major step towards a more comprehensive legal framework at the EU-level to end gender-based violence.



Frans Timmermans, First Vice-President of the European Commission (right) and historian Simon Schama (left) participate in a debate organised in the framework of the International Holocaust Remembrance Day by the Commission in cooperation with the European Jewish Congress and the United States Holocaust Memorial Museum, Brussels, Belgium, 24 January 2018.

European Union citizenship

Consular protection

Consular protection rules, which clarify an EU citizen's rights to assistance from the embassies of other EU Member States in a country outside the EU, entered into application in May 2018. An information campaign on consular protection targeted at young European travellers was launched in August 2018.

In May the Commission proposed improvements to the rules on EU Emergency Travel Documents in order to make the document more secure and streamline the applicable procedures. The proposal

was endorsed by the Parliament's Committee on Civil Liberties, Justice and Home Affairs and is currently being negotiated within the Council.

Identity cards

In April the Commission proposed improvements to the security features of EU citizens' identity cards, residence documents and non-EU family members' residence cards. The proposed rules upgrade the security features and will thereby make it easier for EU citizens to exercise their free movement rights. The Parliament and the Council have decided to enter into negotiations on the proposal.

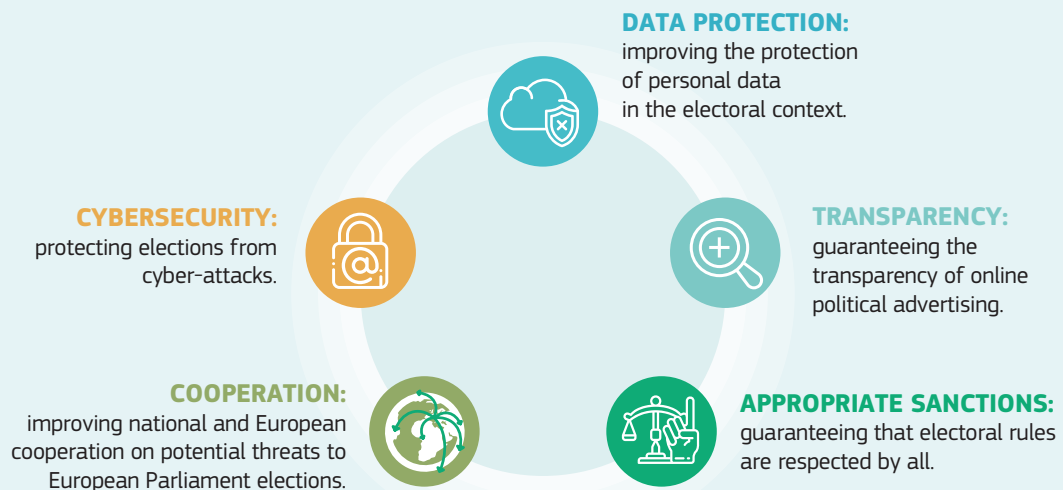
Elections

In the wake of the Facebook/Cambridge Analytica scandal, as well as the increased risks posed to elections through disinformation campaigns, cyber-attacks and hybrid threats, securing free and fair elections to the European Parliament in 2019 has become a priority for the Commission.

In order to meet these challenges, in September 2018 the Commission adopted a [package of measures](#) to support Member State authorities and other relevant stakeholders in their joint efforts to ensure free and fair elections.



MEASURES TO PROTECT EUROPEAN ELECTIONS



The package outlined a set of concrete measures, including enhanced cooperation through the establishment of elections cooperation networks (both at national and EU level); guidance on the application of data protection rules in the electoral context; greater transparency in paid online political advertisements and communication; strengthened cybersecurity; diligent enforcement of existing electoral rules to include the online context; awareness raising; and the application of appropriate sanctions for exploiting the misuse of personal data in order to deliberately influence the outcome of the European elections.

Protecting consumers

In April the Commission proposed a [New Deal for Consumers](#) to ensure that consumers fully benefit from their EU rights. The new rules propose a European system of collective redress when groups of consumers have suffered harm, with proper safeguards so there can be no misuse. At the same time, those rules should provide Member States' consumer authorities with stronger sanctioning powers against traders that breach them. In December the European Parliament adopted its position on the part of the New Deal that concerns collective redress and planned to adopt its position on the rest in January 2019.

The new rules also aim to adapt consumer rights to new technologies. Thus, for instance, when searching on online marketplaces and platforms, consumers will be clearly informed if a trader is paying for a search result. Online marketplaces will also have to inform consumers about the main algorithms determining the ranking of the results and who the consumer is buying from.

The Commission continued to work against misleading commercial practices, such as those involving the marketing of products as being identical when in fact their composition or characteristics are significantly different, including by proposing to clarify the applicable EU law within the New Deal for Consumers initiative. In addition, the Commission released a common [testing methodology](#) developed with industry, which is currently being implemented in an EU-wide testing campaign.

Under [new package travel rules](#) in force since July, travellers will receive clear information on whether they are being offered a package with full protection or a linked travel arrangement with more limited protection. Travellers will also benefit from stronger rights, for instance in relation to cancellations, or where the organiser increases the price by more than 8 %.

Resolving complaints out of court

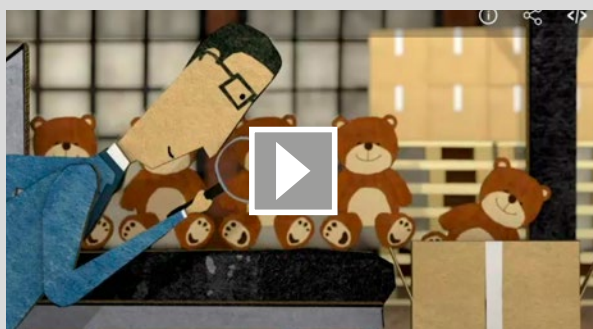
The [alternative dispute resolution](#) procedure ensures that when something goes wrong with a consumer purchase, affordable and impartial dispute resolution is available to assist consumers and traders. In 2018 quality-certified dispute resolution bodies spread to all EU Member States.

Joint actions to protect consumers

The Commission was involved in a [number of joint actions](#) with national bodies to enforce consumer protection rules in 2018. Following the 'dieselgate' emission scandal, Volkswagen committed to continue the repairs free of charge until the end of 2020. In July the rate of repair reached 80 % of affected cars. Another joint action involving Facebook, Twitter and Google+ resulted in improved terms of service for more than 250 million social media users in the EU. In 2018, action began against AirBnB to improve the transparency of their pricing and bring their terms of service into line with EU standards.

Stopping dangerous products from reaching consumers

The [Rapid Alert System for Dangerous Non-Food Products](#) allows for a quick exchange of information on dangerous products found on the market and on the measures taken to prevent them from reaching consumers, particularly children. In 2018, 2 257 dangerous products were circulated among the 31 European national authorities participating in the system.



The Safety Gate rapid alert system enables quick exchange of information about dangerous non-food products posing a risk to the health and safety of consumers.

In June, four online marketplaces: Alibaba (for AliExpress); Amazon; eBay; and Rakuten France signed a '[Product Safety Pledge](#)' and committed to, among others, removing dangerous products found by national surveillance authorities on their websites within 2 working days.

The 2017 [Annual Report of the Rapid Alert System for Food and Feed](#) shows that 3 832 original notifications of possible food or feed risks were reported in 2017, with 942 classified as 'alerts' raising serious health concerns.

rescEU

While the existing EU Civil Protection Mechanism provides a sound basis for a coordinated Europe-wide response to natural and man-made disasters, the 2018 forest fire season demonstrated yet again the need to improve and strengthen it. The total burned area in Europe was over 130 000 hectares in 2018 and the risk of fires is expected to further increase due to climate change. In 2018, Greece, Sweden, Latvia and Portugal activated the EU Civil Protection Mechanism to respond to forest fires. Fires represented the biggest share (35 %) of requests for EU assistance.

In December 2018 the European Parliament and the Council provisionally agreed on the Commission proposal to strengthen the existing Mechanism. This proposal will boost investment in disaster prevention and preparedness, encourage the pooling of assistance within the European Civil Protection Pool, and to create a reserve of additional civil protection capacities at EU level to respond to disasters (the so-called rescEU). rescEU capacities will include firefighting planes and helicopters and, based on risk analysis, can be extended to other capacities. The three institutions are committed to concluding formal adoption and the entry into force is set to take place in the first half of 2019.

The EU's long-term budget 2021-2027

As part of the long-term EU budget for the period 2021-2027, the Commission has proposed the creation of a Justice, Rights and Values Fund with a proposed budget of €947 million for the 7-year period. The Fund will focus on people and entities which contribute to the EU's common values, rights and rich diversity.



'We cannot continue to squabble to find ad-hoc solutions each time a new ship arrives. Temporary solidarity is not good enough. We need lasting solidarity — today and forever more.'

Jean-Claude Juncker, State of the Union address, 12 September 2018

Towards a new policy on migration

In 2018, the European Union's comprehensive approach on migration continued to deliver on all fronts: deeper cooperation with partner countries; better-managed external borders; and more effective and operational tools to protect our borders and manage migration inside the European Union in a spirit of solidarity and responsibility. Work on the European Agenda on Migration made a positive contribution to replacing unsafe and uncontrolled migration with safe, orderly and regular migration. Following the peak in arrivals to the European Union in 2015, flows are now back to below pre-crisis levels.

The Commission presented new proposals in September to further strengthen the European Border and Coast Guard with a standing corps

of 10 000 operational staff; to establish a stronger mandate for an EU Agency for Asylum so that, together, they are able to deploy joint EU migration management teams in all situations and offer full operational support to Member States. Also in September, the Commission proposed a targeted revision of the Return Directive to put in place more effective and simplified return procedures.

Following 2 years of intense work, five of seven proposals to improve our current asylum system have come close to adoption in 2018. Legal migration channels to the European Union increased for people in need of international protection, and since 2015, resettlement programmes have offered safe and legal pathways to almost 44 000 people.

In its December progress report on the European Agenda on Migration, the Commission reiterated its recommendation to step up efforts to better manage labour migration, based on the needs of our economies.

The European Agenda on Migration

Throughout 2018, the Commission presented regular progress reports on the implementation of the European Agenda on Migration, looking at the measures taken to stabilise the flows and better manage the EU's external borders. The reports looked at the EU efforts to address the root causes of migration, provide support to front-line Member States and neighbouring countries facing strong migratory pressure, protect migrants on their journeys, return and readmission, and progress on legal pathways such as resettlement.

In its December 2018 report, the Commission noted that the EU's comprehensive approach on migration has delivered on all fronts: irregular arrivals are down to pre-crisis levels, deeper cooperation with partner countries has been achieved; external borders are better managed; and there are more effective tools to manage migration inside the EU. The report concluded that work needs to continue at all levels, both outside and within the EU.

Border protection and tackling irregular flows

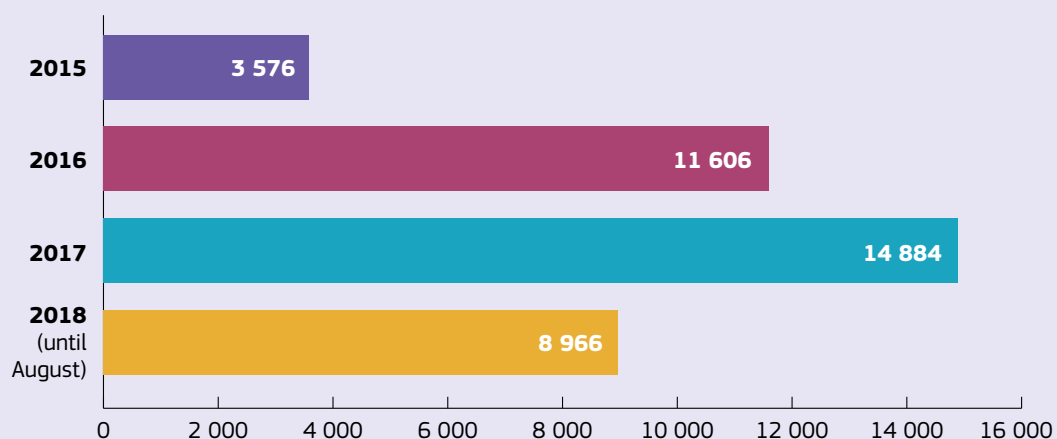
Border management

Negotiations continued in 2018 on the Commission's 2017 proposal to update the Schengen Borders Code in recognition of the need to guarantee our citizens' security while preserving their freedom of movement. The objective is to adapt the rules for the reintroduction of temporary internal border controls to current needs and introduce stronger procedural safeguards so that border controls at internal borders remain a measure of last resort.

In its December Communication on Migration, the Commission called for the full restoration of Schengen as an area without temporary internal border controls, built on the foundations of a properly functioning Common European Asylum System.

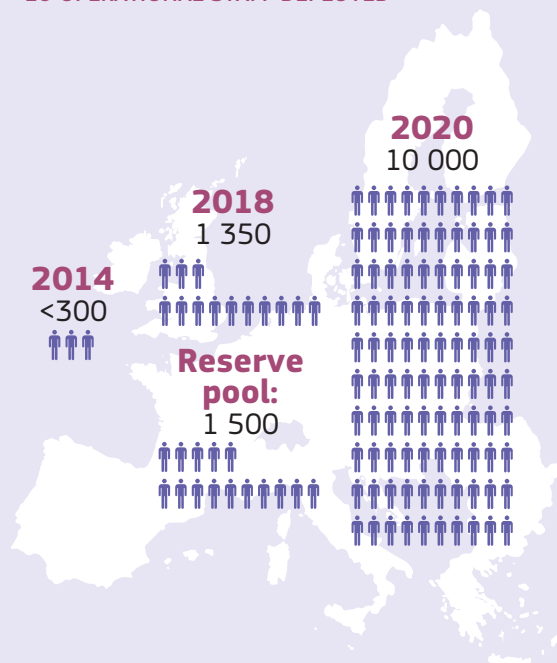
The [European Border and Coast Guard Agency](#) supported national border guards with on average around 1 350 deployed experts along all migratory routes in 2018. In June, Member States called for the Agency's supportive role to be further strengthened, including cooperation with countries outside the EU, increased resources and an enhanced mandate.

NUMBER OF PEOPLE RETURNED IN OPERATIONS SUPPORTED BY THE EUROPEAN BORDER AND COAST GUARD AGENCY



SCALING UP THE OPERATIONAL CAPACITY OF THE EUROPEAN BORDER AND COAST GUARD

EU OPERATIONAL STAFF DEPLOYED



The European Border and Coast Guard Agency will acquire its **own equipment**, such as vessels, planes and vehicles, available to be deployed at all times and for all necessary operations. The EU has earmarked **€2.2 billion** under the 2021-2027 EU Budget to allow the Agency not only to acquire, but also to maintain and operate the air, sea and land assets needed for its operations.

In response, in September the Commission proposed to strengthen the Agency with a standing corps of 10 000 operational staff by 2020. The members of the standing corps will have executive powers and their own equipment to intervene wherever needed along the EU's external borders as well as in non-EU countries. The proposal also ensures that Member States retain their sovereignty over operations carried out at their borders. By the end of 2018, the Member States in the Council had agreed on some elements of the Commission proposal (provisions on return and cooperation with third countries) and discussions on all elements continue.

The EU continued negotiations with western Balkan countries on operational cooperation agreements on border management that would enable the European Border and Coast Guard to provide assistance and deploy its staff when necessary. In October, the EU signed such an agreement with Albania, and agreements were initialled with the former Yugoslav Republic of Macedonia (July) and Serbia (September). Negotiations with Montenegro and Bosnia-Herzegovina have also concluded successfully.

Information systems on security and border management

In October 2018, the Regulation establishing a European Travel Information and Authorisation System (ETIAS) entered into force. The new system will establish pre-travel screening for security and migration risks of travellers benefiting from visa-free access to the Schengen area, paving the way for it to become operational by the end of 2021.

After the entry into force of the new law in December 2017, the Commission started work on the implementation of a new entry/exit system for the Schengen area. The system will reinforce controls at the EU's external borders by registering entry, exit and refusal of entry information of third-country nationals crossing the external borders of the Schengen area. It is expected to become operational by the end of 2020.

Strengthening the Schengen Information System

The Schengen Information System supports external border control and law enforcement cooperation in the Schengen countries. New rules to reinforce the system entered into force in December 2018. The changes include new alerts on return decisions and better enforcement of entry bans, an obligation to include alerts linked to terrorism, stronger provisions on missing children and people in need. It also includes stronger data protection rules, more efficient use of fingerprints, palm prints and facial images to identify persons, and easier access for EU Agencies.

Interoperability

In December 2017 the Commission proposed new legislation on the interoperability of information systems to ensure that border guards, immigration officers and law enforcement have access to the information they need when they need it. By the end of 2018, the European Parliament and Member States had made important progress, paving the way for adoption in the first quarter of 2019.

Return and readmission

With EU support, the International Organisation for Migration assisted 16 463 people to voluntarily return home from Libya in 2018 alone. The EU continues to work with the African Union, the United Nations and the Libyan authorities to stop the systematic detention of migrants, including children. Over 2 700 refugees were released from detention thanks to these efforts.

In September, the Commission proposed a targeted review of the Return Directive that, in combination with the proposal for a new European Border and Coast Guard Regulation strengthens the Agency's mandate on returns and will improve the effectiveness of the EU return policy, while continuing to ensure the respect of the fundamental rights of migrants.

In order to speed up return procedures and prevent absconding and irregular secondary movements, the proposal introduces the application of simplified return procedures at the external border to people whose asylum applications were refused. The proposal introduces an obligation to immediately issue return decisions to rejected asylum seekers, closing a procedural gap that hitherto facilitated absconding, and requires irregular migrants to cooperate during the procedures regarding their identification. In addition, it harmonises the rules for ordering the detention of irregular migrants for the purpose of their removal, including by setting a maximum period of detention of no less than 3 months and by ensuring the possibility to detain migrants who pose public order or security risks. Finally, Member States would be required to establish national programmes to assist irregular migrants willing to return voluntarily.

Protecting those in need

Asylum reform

The European Union remains true to its fundamental values by providing protection to those in need, with a total of 164 055 asylum seekers granted protection in the first 9 months of 2018. Two years of intensive work resulted in significant progress on the Commission's 2016 proposals to reform the Common European Asylum System, with five of the Commission's seven proposals ready for adoption: the [Qualification Regulation](#), [Reception Conditions Directive](#), the [European Asylum Agency Regulation](#), the [Eurodac Regulation](#) and the [Union Resettlement Framework Regulation](#). Although part of a broader reform, each individual proposal has a clear benefit on its own and swift adoption of each one would make a clear difference on the ground.

Important progress was also made on the [Asylum Procedure Regulation](#) and the Dublin Regulation, indispensable elements of a future-proof asylum system. On the request of Member States, temporary arrangements anticipating the core elements of a future Dublin Regulation could be set up to serve as a bridge until the new Dublin Regulation enters into force. In addition, and in order to

INCREASED ASSISTANCE TO MEMBER STATES

The Agency will be available, at the request of the Member States or upon its own initiative in agreement with a Member State, to provide operational and technical assistance throughout the asylum procedure as well during the procedure under the Dublin Regulation. Member States will take the final decision.

The Agency's tasks will include:



Identification and registration of asylum seekers



Assisting with or carrying out admissibility and substance interviews



Preparing administrative decisions on applications for international protection for the responsible national authorities



Providing logistical and other support to independent appeal bodies



Providing interpretation and translation services



The deployment of asylum support teams



Under the Dublin procedure: assist with the procedure to determine the Member State responsible for examining an asylum application and other related procedures; and assist with carrying out or with coordinating the allocation or transfer of asylum applicants within the Union.

facilitate a compromise, the Commission proposed in September to further expand the EU Asylum Agency's mandate, tools and budget (€321 million for 2019-2020) to provide more comprehensive assistance to Member States throughout the international protection procedure when requested. Together with the European Border and Coast Guard Agency, joint EU migration management teams will support Member States when and where needed in tasks such as identification and registration of asylum seekers, preparation of decisions on applications for international protection and operational assistance.

'Hotspots' and support for Greece, Italy and Spain

To support the Greek authorities as well as international organisations and non-governmental organisations managing the refugee and humanitarian crisis in Greece, the Commission has allocated over €816.4 million in Emergency Assistance since the beginning of 2015. The emergency funding comes on top of the €613.5 million already allocated to Greece under the national programmes for 2014-2020. At the end of the year, the Commission delegated management of €252 million to



Commissioner Dimitris Avramopoulos (right) visits a refugee camp with Dimitris Vitsas, Greek Minister for Migration, in Ritsona, Greece, 12 April 2018.

SAVING LIVES



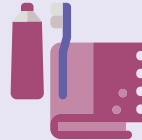
Since February 2016, more than **290 000 migrants have been rescued** by EU operations at sea in support to the Italian Coastguard.



In 2018 over **6 200 migrants were rescued** in the desert in Niger.



Since May 2017 in Libya, more than **12 000 vulnerable migrants** and more than **11 100 refugees and asylum seekers have received medical assistance and consultations** at disembarkation points, in detention centres and in host communities.



Almost **37 000 vulnerable migrants have received blankets, mattresses and hygiene kits.**

international organisations operating in Greece, including Unicef and the United Nations Refugee Agency (UNHCR). In addition, the Commission provides permanent structural support to the Greek authorities with a permanent presence on all hotspot islands.

As regards Italy, over €35.5 million has been allocated in 2018 bringing the total amount of emergency assistance made available to Italy since 2014 to €224.9 million. The emergency assistance allocation complements over €724 million in EU support to Italy's national programmes under the Asylum, Migration and Integration Fund and Internal Security Fund for the period 2014-2020.

In July, in view of increased arrivals, Spain was allocated €36.01 million in emergency assistance to improve the reception capacity for arrivals at its southern coast and in Ceuta and Melilla, as well as to help increase returns. The emergency funding awarded to Spain comes on top of €737.5 million allocated to Spain for migration, border and security management under national programmes for the period 2014-2020.

Migrants arriving at hotspots in Italy and Greece were properly identified, registered, fingerprinted and their data checked against relevant security databases. In its December progress report on the European Agenda on Migration, the Commission noted that the situation in Greece has improved, but that more needs to be done by the Greek authorities to improve reception conditions, accelerate the processing of asylum applications and increase returns.

Most EU Member States continued to help alleviate the pressure on Greece and Italy by relocating eligible applicants from these countries, which are on the frontline of migration flows.

The EU–Turkey Statement

The [2016 EU–Turkey Statement](#) remained of paramount importance in reducing irregular and dangerous crossings to the Greek islands from the Turkish mainland, in saving lives at sea, and in promoting the resettlement of Syrians in need of international protection.

Turkey made outstanding efforts to provide shelter and support to more than 3.5 million registered Syrian refugees, and the EU has demonstrated its commitment to support Turkey in this challenge. The Facility for Refugees in Turkey continues to support the needs of refugees and host communities in Turkey, in close cooperation with the Turkish authorities. The Facility helped over 1.3 million refugees,

ARRIVALS IN THE GREEK AEGEAN ISLANDS

ARRIVALS ON THE ISLANDS IN 2015



October 2015:
Daily average
6 360 arrivals



December 2015:
Daily average
3 222 arrivals

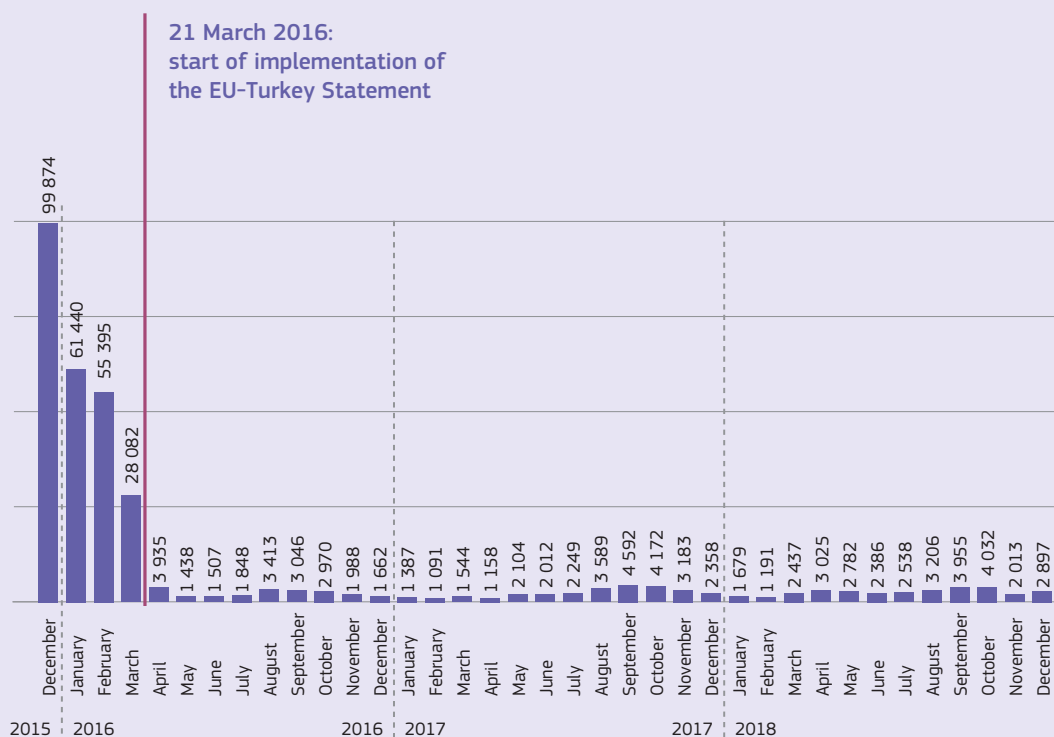
ARRIVALS ON THE ISLANDS SINCE
THE EU-TURKEY STATEMENT

Since 21 March 2016:
Daily average
(21.3.2016-31.12.2018)
85 arrivals



Drop of
96 %

ARRIVALS — SEA BORDER



In the 5 months before 21.3.2016 inclusive (150 days), 423 428 migrants arrived on the Greek Aegean islands. In the last 5 months of 2018 (150 days) from 4.8.2018-31.12.2018, 15 932 migrants arrived, a drop of 96 % between the two periods.

through monthly cash transfers, education for 500 000 children and healthcare for hundreds of thousands of people with €1.9 billion distributed. The EU also began to mobilise the second tranche of €3 billion of financial support.

Financial support for the efficient management of migration

The Commission supports national efforts to improve migration and border management with significant funding. The [Asylum, Migration and Integration Fund](#), with €576 million, the [Internal Security Fund \(Borders and Visa\)](#), with €567 million, and the [Internal Security Fund \(Police\)](#), with

€92.7 million, continued to support capacity building in 2018, providing humanitarian and healthcare assistance and helping to develop operational cooperation. For the period 2014-2020, the Union's support for national efforts in the fields of migration and security is estimated at €5.5 billion for the Asylum, Migration and Integration Fund, and at €2.9 billion for the Internal Security Fund (excluding agencies).

In December 2018 the European Parliament and the Council amended the rules of the Asylum, Migration and Integration Fund to enable Member States to continue using funding previously committed to the Union's emergency relocation scheme, which ended successfully in 2017. The change will allow Member States to use the remaining funds to continue relocating or resettling applicants or beneficiaries of international protection, as well as addressing other migration-related needs within the scope of the Fund.

Managing migration and saving lives at sea

Operation Themis, together with other EU Joint Operations and naval missions, continued to support Italy in addressing irregular immigration across the central Mediterranean. Overall, these operations have contributed to the rescue of over 690 000 people at sea.

Moreover, the EU continued to disrupt criminal smuggling networks in the central Mediterranean and the Aegean with the help of the Turkish authorities and NATO. Cooperation to tackle migrant smuggling and human trafficking networks was enhanced with partners in the Sahel in line with the [Declaration](#) adopted in Niamey (Niger) in March.

In line with the 2015 [Action Plan against Migrant Smuggling](#), in May 2018 the Commission proposed a revision of the legislation that organises the way in which [Member States, the EU and Union Agency Immigration Liaison Officers work together](#). This revision aims to ensure better cooperation and coordination among the European staff deployed in third countries to work on migration. Negotiations between the European Parliament and the Council are expected to begin in early 2019 so the new rules can enter into force by the end of May 2019.

In December the European Council approved measures with a law enforcement focus to step up the fight against crime networks that smuggle migrants. The concrete actions draw on an enhanced inter-agency approach both at EU and national level, making the best use of synergies between the tools available and maximising use of the EU's external assets. Key objectives include increasing the operational and analytical capacities of the European Migrant Smuggling Centre; enhancing the capacity to tackle online communication between smugglers; developing partnerships with third countries; and sharing information on criminal networks.

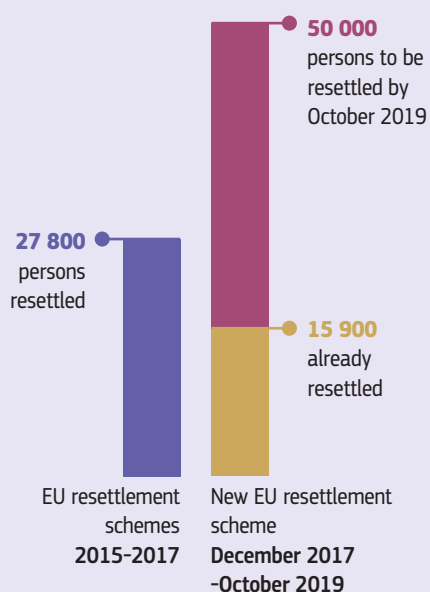
Enhancing safe and legal pathways to Europe

Developing orderly legal pathways for people in need of protection and creating channels for labour migration is an integral part of the EU's comprehensive approach to migration. It goes hand in hand with a firm policy on tackling irregular flows of migrants and ensuring stronger border protection, streamlined asylum procedures and more effective returns. In his State of the Union address in September, President Juncker reiterated the Commission's call to open up more legal pathways.

Resettlement

EU resettlement initiatives have shown that legal and safe channels can replace unsafe and irregular migration for people in need of international protection. Since 2015, different EU resettlement programmes have helped over 48 700 of the most vulnerable find shelter in the EU. This includes almost 21 000 individuals, whom Member States resettled in 2018 as part of a common pledge to

EU PROGRESS MADE ON RESETTLEMENT SINCE 2015



Last but not least, by Sibiu I want to make visible progress in strengthening our foreign policy. We must improve our ability to speak with one voice when it comes to our foreign policy.



Jean-Claude Juncker,
State of the Union address, September 2018

Since 2015, different EU resettlement programmes have helped over 48 700 of the most vulnerable find shelter in the EU. A common resettlement framework will allow Member States to agree which regions need to be targeted with their resettlement efforts and speak with one voice on the global stage.

resettle more than 50 000 people in need of protection by the end of October 2019 — the largest EU resettlement scheme to date.

Encouraging needs-based migration

The Commission has also made proposals to create more attractive pathways for needs-based labour migration. A new EU Blue Card scheme that brings real added value compared with the current Blue Card in line with the Commission's 2016 proposal, is an essential component to creating an attractive and more competitive economy. By the end of the year, the EU's work to implement pilot projects on legal migration with key African partners had also advanced considerably. With €20 million earmarked, several projects are expected to begin in 2019. They will replace irregular migration with safe, orderly and well-managed legal migration.

Integration

Early and effective integration is key to making migration a benefit for both migrants and the economy and cohesion of European society. The European Union continued to implement the 2016 [Action Plan on the integration of third-country nationals](#) adopted on 7 June. This provides a comprehensive framework to support Member States' efforts in developing and strengthening their integration policies through financial support and best-practice guidance. The Commission promoted a multi-stakeholders' approach to enhance integration of migrants into the labour market and provided support to integration actors on the ground, including local and regional authorities and non-governmental organisations.

At the European Migration Forum in March, over 200 stakeholders shared examples of successful labour market integration of migrants.

Visa policy

Nationals of some non-EU countries are required to hold a visa when travelling to the [Schengen area](#). The EU has established a common visa policy for short stays in the Schengen area based on a common list of countries whose citizens must have a visa when crossing the external borders,

and a list of countries whose citizens are exempt from that requirement. In 2017 (the latest figures available), the 26 Schengen States issued 14.6 million short-stay visas.

In March the Commission proposed to reform the common visa policy to adapt the rules to evolving security concerns, challenges linked to migration and new opportunities offered by technological developments. The objective of the proposed changes to the Visa Code is to facilitate visa procedures for legitimate travellers whilst strengthening security and mitigating irregular migration risks. By the end of 2018 both the European Parliament and the Council had adopted their respective mandates for the interinstitutional negotiations. Discussions between the co-legislators were ongoing, with the aim to conclude negotiations in early 2019.

In May the Commission proposed to upgrade the Visa Information System, to better respond to evolving security and migratory challenges and improve the EU's external border management. The proposed changes will allow for more thorough background checks on visa applicants and close security and information gaps notably as regards long-term residence documents issued by Member States. It will enable full interoperability with other EU-wide databases. Discussions in the European Parliament and Council were ongoing at the end of 2018, with the aim to conclude negotiations in early 2019.

Negotiations on EU visa facilitation agreements with Belarus, China and Tunisia continued in 2018. On visa liberalisation, the Commission confirmed in July that Kosovo (this designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence) met all the criteria for visa-free travel to the Schengen area.

The European Commission published a Communication on Visa Reciprocity in December 2018, describing the state of play and way forward as regards the situation of non-reciprocity with the United States as the only remaining such case. Nationals of Bulgaria, Croatia, Cyprus, Poland and Romania still need a visa to travel to the United States. The Communication took stock of progress towards achieving visa reciprocity, namely the progress of these Member States in fulfilling the necessary requirements set by United States legislation.

The EU's long-term budget 2021-2027

In June 2018, the Commission proposed the architecture of the dedicated funding instruments on migration and border management. Together with the allocations for the relevant agencies, the proposed resources are €34.9 billion, almost tripling the current envelope of €13 billion (including agencies). The proposals for the Asylum and Migration Fund and the Border Management and Visa Instrument, as part of the Integrated Border Management Fund, foresee a flexibility mechanism to allocate resources according to the evolution of challenges, needs and priorities.



A stronger global actor

'I want our Union to become a stronger global actor ... and I want us to dedicate further efforts to defence matters.'

Jean-Claude Juncker, State of the Union address, 13 September 2017

As the global situation becomes less stable, and the role of international institutions continues to come under scrutiny, the EU is using its diplomatic, political, and economic power as a security provider to promote international peace and security.

The EU firmly believes that multilateral diplomacy leads to peaceful solutions to pressing international issues. The EU has shown leadership, creativity and reliability in supporting the Iran nuclear deal, the Paris climate change agreement, the United Nations Sustainable Development Goals, new trade agreements with strong social safeguards and cooperation with the African Union and working with the United Nations. The EU also remained the largest provider of official development assistance in 2018.

Our neighbourhood and enlargement policies supported stability and focused on building closer relations between the European Union and its neighbours.

European security and defence was a priority in 2018 with the EU taking decisive steps to increase its role as a global security provider to complement its economic power. The proposed expansion of the European Defence Fund is an example of this, as is the adoption of 34 defence projects in the framework of the Permanent Structured Cooperation, and a new European Peace Facility for defence cooperation between countries.

In 2018 the EU consolidated its position as the world's biggest donor of humanitarian aid, giving over €1 billion. The EU's

humanitarian aid worldwide provided life-saving support from natural disasters and man-made conflicts around the globe.

The European Union's neighbourhood

The eastern neighbourhood

The Eastern Partnership Summit of 2017 reconfirmed clear commitment to the Partnership by the EU and its partners: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. In 2018 the focus has been on reforms in areas such as the economy, stronger governance, stronger connectivity and stronger society.



Commissioner Johannes Hahn and Georgian Prime Minister Mamuka Bakhtadze at the opening of the First Eastern Partnership European School in Tbilisi, Georgia, 4 September 2018.

2018 marked the fourth year of unprecedented close relations between the EU and Ukraine with a productive [Summit](#) in July, which underlined the continuation of intensive support from the EU for the country's reform programme. The EU remains Ukraine's biggest trading partner and its most important source of assistance, which in 2018 focused on employment skills such as vocational education and training reform, and the Energy Efficiency Fund.

The relationship between the EU and Georgia, framed by an already ambitious Association Agreement, became even closer in 2018. In November President Jean-Claude Juncker and other members of the European Commission welcomed members of the Government of Georgia, led by Prime Minister Mamuka Bakhtadze for a meeting in the Berlaymont building in Brussels. The EU and Georgia agreed to more than 25 concrete actions across three focus areas: economy, trade and connectivity; education, research and innovation; justice and internal security. These actions will advance cooperation and deliver tangible benefits for Georgian citizens.

Russia

In terms of the EU's relations with Russia, respect for international law remains paramount. The EU's policy towards Russia is guided by the following principles: full support for the independence, sovereignty and territorial integrity of Ukraine within its internationally recognised borders; full implementation of the Minsk agreements (a package of measures to bring lasting peace to Ukraine, signed by the representatives of Ukraine, Russia and the separatists from the 'Donetsk People's Republic' and 'Luhansk People's Republic'); strengthening relations with our eastern partners; strengthening EU resilience; the need for selective engagement with Russia, and willingness to support Russian civil society. In 2018, the EU engaged with Russia on security challenges such as Iran and Syria. The EU reconfirmed its policy of non-recognition of the illegal annexation of Crimea. The EU has expressed its utmost concern regarding the escalation at the Kerch Straits and the Azov Sea and Russia's violations of international law.

The European Union's southern neighbourhood

In 2018, the EU continued to work with its partner countries in the southern neighbourhood to promote sustainable stability, security and growth in a wide range of areas, notably based on the new European Neighbourhood Policy Partnership Priorities with Algeria, Egypt, Jordan and Lebanon.

Political priorities for 2018–2020 were concluded with Tunisia in May. The EU supports socioeconomic development, good governance, human rights, security and the root causes of irregular migration in all countries in the region.

The EU also worked actively to partner with international financial institutions and the private sector, through its European External Investment Plan and the creation of the European Fund for Sustainable Development, which includes a financial guarantee to help reduce risk for investments, modelled on the EU's internal Investment Plan. The Plan supports the mobilisation of private-sector investments in small and medium-sized companies, female entrepreneurship, energy and digital infrastructure and many other areas, in order to contribute to local development. The Plan also includes technical assistance to reinforce local institutions and fight against corruption. In 2018, Egypt, Jordan, Morocco and Lebanon joined Algeria, Israel and Tunisia in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA). PRIMA will fund research and investment to improve sustainable agriculture and access to water in a region affected by climate change and population growth. The EU continued to foster regional cooperation through the Union for the Mediterranean and the League of Arab States.

The western Balkans and the enlargement process

In 2018, the EU significantly enhanced its relations with the western Balkans. In February, the European Commission published the [Western Balkans Strategy](#) for a credible enlargement perspective for and enhanced EU engagement with the region. This strategy reconfirms the perspective of EU membership as a key driver for reforms and modernisation in the western Balkans. It put forward a comprehensive Action Plan of 57 actions for the period 2018–2020 based on six flagship initiatives (rule of law, security and migration, socioeconomic development, connectivity, digital agenda, and reconciliation and good neighbourly relations). Its implementation is under way with most actions launched and some completed in 2018.

The [Summit in Sofia](#) in May attended by President Juncker reaffirmed this perspective. He said: 'This summit has allowed us to forge even closer links with our friends from the western Balkans who, step by step, each day come a little bit closer to the European Union — each at its own pace and merits. Being anchored in the European Union means sharing values and principles, including respect for the rule of law, independence of the judiciary and freedom of expression — because the European Union is first of all a community of values and law.'

The EU also launched agriculture and rural development support programmes in Albania, Montenegro and Serbia and these continue to operate in the former Yugoslav Republic of Macedonia. They contribute to food safety and quality and make rural livelihoods more attractive.

In 2018 Montenegro and Serbia continued their EU accession negotiations. Their overall pace depends on progress on rule of law and in the case of Serbia, also on the normalisation of relations with Kosovo (This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence). The EU welcomed a bilateral agreement between Greece and the former Yugoslav Republic of Macedonia on the issue of the name of the latter country, and encourages its ratification. Following intensive reform efforts in Albania and the former Yugoslav Republic of Macedonia, supported by the EU, the Commission recommended the opening of accession negotiations with both countries. The EU continued to support reforms in Bosnia and Herzegovina and Kosovo.

Turkey

Relations between the EU and Turkey continued to be challenged by the further deterioration of the rule of law, fundamental rights and the independence of the judiciary in Turkey. Accession negotiations have therefore effectively come to a standstill and no further work took place on the modernisation of the EU–Turkey Customs Union. Nonetheless, the political dialogue has continued and cooperation at a technical level has continued in those areas of strong mutual interest, such as migration, security, trade, energy, transport and the environment.

Africa–Europe relations



Commission President Jean-Claude Juncker addresses the EU–South Africa Summit, Brussels, Belgium, 15 November 2018.

The new [Africa–Europe Alliance for Sustainable Investment and Jobs](#) launched in September 2018 aims to take the EU’s partnership with Africa to the next level. The initiative will help improve job creation in Africa by supporting education and skills, boosting trade and mobilising investment in strategic economic sectors. Speaking at the [State of the Union address](#) in 2018, President Juncker said: ‘This Alliance — as we envision it — would help create up to 10 million jobs in Africa in the next 5 years alone. We want to create a framework that brings more private investment to Africa. We are not starting from scratch: our External Investment Plan, launched two years ago, will mobilise over €44 billion in both the public and private investment. Alone, the projects already in the pipeline will unlock €24 billion.’

This partnership between the EU and Africa as a partnership between equals was reinforced at a [High-Level Forum in Vienna](#) in December which focused on innovation, investment and job creation, education and supporting business and trade. Within 3 months, the Africa–Europe Alliance was already delivering on its first projects.

Some of the initiatives launched in Vienna included an EU guarantee ([NASIRA Risk-Sharing Facility](#)), the first of its kind under the EU External Investment Plan, which will use €75 million of EU funds to leverage up to €750 million of investments for entrepreneurs in Sub-Saharan Africa and the EU’s southern neighbourhood. This is expected to create 800 000 jobs and benefit those who usually struggle to access affordable loans, such as small and medium-sized enterprises, internally displaced people, refugees, returnees, women and young people. In terms of educational exchanges, the EU is well on track to deliver on its 2020 target of 35 000 exchanges.

In 2018 alone, the European Union has committed over €540 million to support business and investment climate reforms, significantly exceeding the Africa–Europe Alliance’s commitment to increase EU support up to €300–350 million per year for 2018–2020.



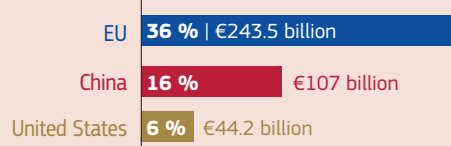
Commissioner Christos Stylianides meets with Denis Mukwege, Nobel Prize winner and founder of Panzi Hospital, during his visit to Bukavu, Democratic Republic of the Congo, 24 March 2018.

TAPPING THE FULL POTENTIAL OF ECONOMIC INTEGRATION AND TRADE

The EU is Africa's biggest trading partner, accounting for **36 % of Africa's trade in goods, worth €243.5 billion** in 2017. The EU remains the most open market to African exports in the world.

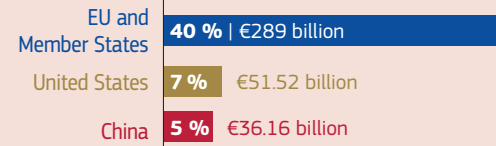
Africa's trade in goods in 2017 per partner

Total trade (exports and imports)



Source: International Monetary Fund.

Foreign direct investment in Africa



Source: Eurostat, UNCTAD World Investment Report 2016, Japan External Trade Organisation.

The European Union is committed to support the creation of an African Continental Free Trade Area, and has in particular announced €50 million of support towards that goal. A first step was taken in December with a [€3 million programme signed with the United Nations Economic Commission for Africa](#) to develop national implementation strategies for the continental free trade area.

A key aspect of the Africa–Europe Alliance is the collaboration in joint task forces set up at the Vienna meeting on rural Africa, [digital economy](#), transport and energy.

The [European External Investment Plan](#) is also delivering: the EU supports investment projects in northern and sub-Saharan Africa through its regional investment platforms and has supported investment programmes in key sectors such as renewable energy, sustainable agriculture, urban infrastructure, connectivity and digitalisation. Dialogue between the private sectors in Africa and Europe is also being scaled up through the Sustainable Business for Africa platform. Public–private dialogues to promote Sustainable Business for Africa have been established in the following African countries: Côte d'Ivoire; Ethiopia; Morocco; Nigeria; South Africa; Tanzania; Tunisia and Uganda.

Similar dialogues in 25 additional African countries are currently being prepared. This will help to boost decent job creation, in particular for young people and women. The dialogues were launched

A NEW AFRICA–EUROPE ALLIANCE FOR SUSTAINABLE INVESTMENT AND JOBS

The aim of the Alliance is to take the EU's partnership with Africa to the next level. To do so, the Commission proposes to boost investment, further attract private investors, support education and skills development for employability, as well as boost trade and improve the business climate.

This plan will be supported by the Commission's current and future budget, for which Africa is highlighted as a priority region.

- Investment through the Alliance will create up to **10 million jobs** in Africa in the next 5 years.
- **24 million** people will have access to all-season roads through our leveraged investments in transport infrastructure.
- **105 000** students and academics will benefit from Erasmus+ by 2027.
- **750 000** people will receive vocational training for skills development.
- **30 million** people and companies will benefit from access to electricity thanks to the EU's leveraged investments in renewable energy and a generation capacity boosted by SGW.

in Abidjan during the [EU–Africa Business Forum](#) in November 2017. As part of this engagement, President Juncker visited Tunisia in October 2018.

The EU has continued to build a real partnership of equals with Africa. Examples of enhanced EU cooperation with Africa on peace and security issues include the G5 Sahel Joint Force, the [African Union–European Union Memorandum of Understanding on Peace, Security and Governance](#), and the EU’s support to security and reconciliation in the Horn of Africa. While humanitarian aid, development cooperation and support to peace and security continue to be important areas of cooperation, the EU has substantially reinforced its economic partnership with Africa. Today the EU and Africa work together as partners in new areas such as research and innovation, and in strategic economic sectors such as agriculture, digitalisation, transport and energy.

North America and Latin America



Commissioner Neven Mimica during a visit to the Chapare Region of Bolivia, 4 May 2018.

A strong and well-functioning transatlantic partnership with the United States remains a crucial element for Europe’s security and prosperity. The EU remains committed to the strategic partnership with the United States, based on shared values and interests, and a willingness to play a responsible role in world affairs to our mutual benefit. The EU has worked closely over the past year with the US administration and Congress where there are common objectives (the western Balkans, Ukraine, Russia, North Korea, counterterrorism, cybersecurity and defence — including NATO). The EU has stood up for its values, principles and interests when challenged.

In July, following a meeting between Presidents Juncker and Trump, the EU and the US issued a joint statement pledging cooperation to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. They agreed to work to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products and soybeans. The two parties also agreed to strengthen strategic cooperation on energy.



Jean-Claude Juncker, President of the European Commission, receives Iván Duque Márquez, President of Colombia, in Brussels, Belgium, 24 October 2018.

The EU has strengthened its relationship with Canada with the Strategic Partnership Agreement. The EU and Canada continue to cooperate closely on areas such as security, defence and gender issues.

EU cooperation with Latin America and the Caribbean focused on modernising association agreements with Mercosur, Mexico and Chile. An agreement with Havana in 2018 ushered in a new era in EU–Cuba cooperation. The EU continues to support the implementation of the peace agreement in Colombia.

Asia and the Pacific

In 2018 the EU strengthened economic diplomacy and scaled up its security role in Asia, which included working to reduce tensions on the Korean peninsula. The EU worked on a [Strategy on connecting Europe and Asia](#), with the fight against climate change and regional cooperation at its



Federica Mogherini, High Representative/Commission Vice-President, during a visit to South Korea at the truce village of Panmunjom in the demilitarised zone separating the two Koreas, 5 August 2018.

heart. To develop relations to their full potential, the EU adopted a new Strategy on India and ratified the EU–Philippines Partnership and Cooperation Agreement. The EU and Thailand launched a labour dialogue to promote decent labour conditions.

The EU continued to engage with China on issues such as climate change and common security interests, such as the Iran nuclear deal, Afghanistan and the Korean peninsula. At the same time, the EU ensured greater reciprocity in economic relations, science and technology. The EU engaged with China on infrastructure, worked to align investment with EU strategic networks and promoting transparency, economic and social sustainability. The EU encouraged closer cooperation on the Sustainable Development Goals, conflict resolution, international rules and respect for human rights.

The 2018 [EU-China Tourism Year](#) provided a unique opportunity to increase visitor flows and investments on both sides. It aimed to promote lesser-known destinations, improve travel and



Federica Mogherini, High Representative/Commission Vice-President, with Wang Yi, State Councillor and Chinese Minister for Foreign Affairs, at a press conference for the EU–China High Level Strategic Dialogue meeting, Brussels, Belgium, 1 June 2018.

THE EU STRATEGY FOR CONNECTING EUROPE AND ASIA

WHAT IS CONNECTIVITY?



TRANSPORT

Diversified trade and travel routes linking existing and future transport networks, shorter transit times and simplified customs procedures.



ENERGY

More interconnected regional energy platforms, modern energy systems and environmentally friendly solutions.



DIGITAL

Increased access to digital services while maintaining a high level of protection of consumer and personal data.



HUMAN DIMENSION

Advanced cooperation in education, research, innovation, culture and tourism.

WHY DO WE NEED BETTER CONNECTIVITY FOR EUROPE AND ASIA?



€1.5 TRILLION IN ANNUAL TRADE BETWEEN EUROPE AND ASIA



EUROPE AND ASIA ACCOUNT FOR OVER **60 % OF THE WORLD'S GDP**



SINCE 2015, **OVER 18 000 STUDENTS AND ACADEMIC STAFF** HAVE TRAVELLED BETWEEN OUR TWO REGIONS



WE HAVE A **JOINT RESPONSIBILITY TO PROTECT OUR ENVIRONMENT**



CROSS-BORDER **RULES AND REGULATIONS MEAN FAIR COMPETITION** FOR BUSINESSES



FISCAL AND FINANCIAL STABILITY REQUIRES LONG-TERM PLANNING

HOW WILL THE EU ENHANCE CONNECTIVITY?

1	CONTRIBUTING TO EFFICIENT CROSS-BORDER CONNECTIONS AND TRANSPORT, ENERGY, DIGITAL AND HUMAN NETWORKS	
2	STRENGTHENING BILATERAL, REGIONAL AND INTERNATIONAL PARTNERSHIPS BASED ON COMMONLY AGREED RULES AND STANDARDS	
3	LEVERAGING SUSTAINABLE FINANCING FOR INVESTMENTS	

tourism experiences, and provide opportunities to increase economic cooperation. Over 150 initiatives and events took place during the year.

The 12th Asia–Europe Meeting Summit was held in Brussels on 18-19 October 2018, bringing together leaders of 51 European and Asian countries, EU representatives, and the Secretary-General of the Association of Southeast Asian Nations.

The Middle East

The EU continued to actively respond to the ongoing crisis and conflicts in the region. It notably helped the stabilisation process through its support for the UN-led peace processes in Syria and in Yemen, for the process of stabilisation in Iraq, and for the search for a two-state solution to the Israeli-Palestinian conflict.

Syria

The conference on ‘Supporting the Future of Syria and the Region’ in April 2018, allowed the international community to renew and strengthen the political, humanitarian and financial commitment to the Syrian people. The EU adopted the [EU Strategy for Iraq](#) to support the country’s recovery from the fight against Da’esh.

Yemen

In Yemen, the EU continued to support the UN-led peace process and the UN Special Envoy Martin Griffiths, as well as support the crisis-affected population.

Israel, the occupied Palestinian territory and the Middle East peace process

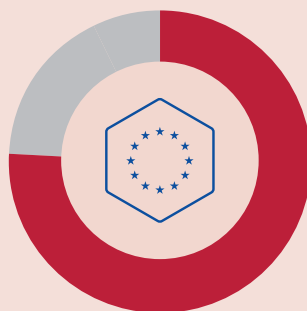
The EU continued its firm support for the resolution of the Israeli–Palestinian conflict and for a two-state solution. It appointed a new EU Special Representative for the Middle East Peace Process, Susanna Terstal. The EU also agreed an additional €40 million in support for a United Nations Relief and Works Agency for Palestine Refugees in the Near East for the education of 500 000 Palestinian refugee children, healthcare for more than 3.5 million patients and assistance to over 250 000 vulnerable Palestinian refugees, bringing the contribution in 2018 to €146 million.

Iran

In 2018, the EU stayed the course on the Iran nuclear deal, continuing to support its implementation as a cornerstone of the global non-proliferation regime and a key security interest for the EU, the region and the world. The EU deeply regretted the US withdrawal and its re-imposition of sanctions. The [EU encouraged Iran to continue the full implementation of its nuclear-related commitments](#), which has been confirmed by a number of reports from the International Atomic Energy Agency. In parallel, the EU continued to develop relations with Iran, most notably in the areas of trade and investment, energy, environment, education, research, civil nuclear cooperation, humanitarian aid and human rights. The EU also actively engaged Iran on issues of concern, such as regional issues, ballistic missiles and human rights, to encourage restraint and constructive engagement in the region.

Security and defence

Given the unpredictable times we face, Europe needs to take greater responsibility for its own internal and external security. European defence is essential not only for Europe’s own security but more widely in the pursuit of global peace and security.



76 % of respondents

think that the European Union is a place of stability in a troubled world

This represents a five-point increase compared with 2017 and a 10-point increase compared with 2016.

Source: Eurobarometer, November 2018.

In March, a first grant agreement under the Preparatory Action for Defence Research was signed for €35 million for [Ocean 2020](#), the first cross-European military research project. In parallel, under the Permanent Structured Cooperation on Defence that the Council decided to establish in December 2017, substantial progress was made and 34 multinational defence collaborative projects were

EU DEFENCE

Projects adopted in 7 areas



Space

- European Military Space Surveillance Awareness Network
- EU Radio Navigation Solution (EURAS)



Air systems

- European MALE RPAS (Eurodrone)
- TIGER Mark III (European Attack Helicopters)
- Counter Unmanned Aerial System (C-UAS)



Land, formations and systems

- Integrated Unmanned Ground System (UGS)
- EU Beyond Line Of Sight (BLOS) Land Battlefield Missile Systems
- Deployable Military Disaster Relief Capability Package
- Armoured infantry fighting vehicle/amphibious assault vehicle/light-armoured vehicle
- Indirect Fire Support (EuroArtillery)
- EUFOR Crisis Response Operation Core



Maritime

- Deployable Modular Underwater Intervention Capability Package (DIVEPACK)
- Maritime (semi-) Autonomous Systems for Mine Countermeasures
- Harbour and Maritime Surveillance and Protection
- Upgrade of Maritime Surveillance



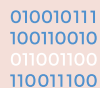
Enabling and joint capabilities

- Co-basing (joint use of national and overseas bases)
- Geo-meteorological and Oceanographic (GeoMETOC) Support Coordination Element



Common training and facilities

- Helicopter Hot and High Training (H3 Training)
- Joint EU Intelligence School
- EU Test and Evaluation Centres
- European Union Training Mission Competence Centre
- European Training Certification Centre for European Armies

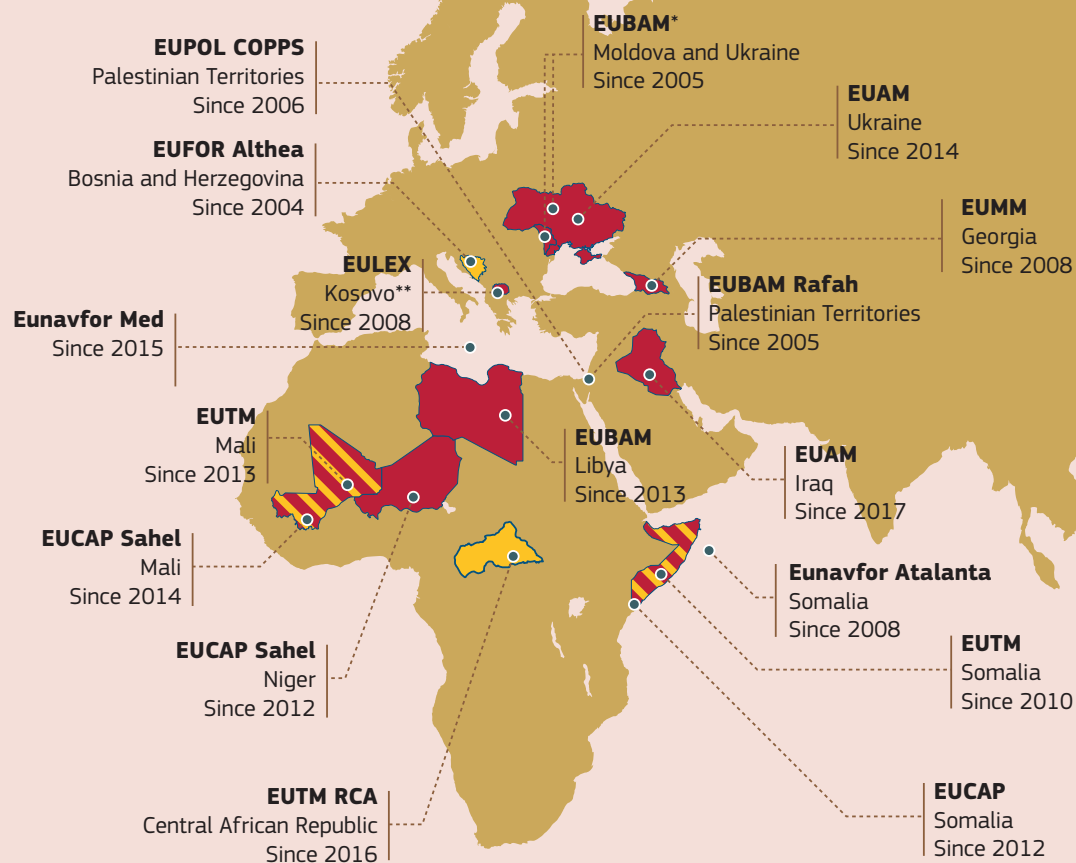


Cyber and C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance)

- European High Atmosphere Airship Platform: Persistent Intelligence, surveillance and reconnaissance capabilities
- One Deployable Special Operation Forces Tactical Command and Control (C2) Command Post
- Electronic Warfare Capability and Interoperability Programme for Future JISR Cooperation
- European Secure Software defined Radio (ESSOR)
- Cyber Threats and Incident Response Information Sharing Platform
- Cyber Rapid Response Teams and Mutual Assistance in Cybersecurity
- Strategic Command and Control (C2) System for Common Security and Defence Policy Missions and Operations

EUROPEAN UNION COMMON SECURITY AND DEFENCE POLICY — MISSIONS AND OPERATIONS 2018

- Military missions/operations
- Civilian missions



* This mission is not managed within Common Security and Defence Policy structures, but its objectives are very similar to the other missions, so we include it here.

** This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



6
ongoing military
missions/operations



10
ongoing
civilian missions



More than
5 000
people currently deployed



Objectives:

keeping the peace, preventing conflicts, strengthening international security, supporting the rule of law, prevention of human trafficking and piracy.

launched throughout the year, including on military training and exercises, military capabilities on land, air and sea, and the ever more important area of cyber defence. A defence initiative on improving military mobility was launched with an EU Action Plan in March 2018. In July, the EU established the European Defence Industrial Development for 2019-2020 Programme and proposed a **€13 billion European Defence Fund** for the next long-term EU budget (2021 to 2027) to increase the EU's role as a security and defence provider.

In 2018, the EU conducted six military and 10 civilian Common Security and Defence Policy missions and operations outside its borders. Whether in Afghanistan, the Sahel or Iraq, building strong, resilient and inclusive state institutions requires investment in the development of professional police, judges, doctors and school administration, as well as a reliable and democratically controlled army. In June, the EU therefore also proposed a **European Peace Facility** making it easier to fund its Common Security and Defence Policy missions and operations and to support Europe's partners. In November, EU ministers also adopted a Civilian Common Security and Defence Policy Compact that is intended to lead to a more capable, more effective and more joined up civilian Common Security and Defence Policy.

Military missions are just one element in the EU's toolbox of instruments to tackle today's challenging security environment. In 2018, Member States acknowledged the crucial role of civilian Common Security and Defence Policy missions in addressing security challenges, including organised crime, terrorism and hybrid threats. They decided further to strengthen the civilian dimension of the Common Security and Defence Policy through a Civilian Compact.

Preventing and countering terrorism and violent extremism

Counterterrorism and preventing violent extremism have been top EU priorities over the past year, in line with the UN Global Counterterrorism Strategy and the Plan of Action to Prevent Violent Extremism. The EU has strengthened dedicated counterterrorism dialogues with the western Balkans, Turkey and the Middle East and North African countries as well as key international organisations.

Migration

The EU continues to work with Member States and international partners to save lives, provide protection, offer safe and legal pathways and tackle the root causes of migration. It has stepped up the fight against criminal networks that often take advantage of people's despair and engage in people smuggling and trafficking. The United Nations Global Compact for Migration and Global Compact for Refugees were both adopted in 2018.

The EU's work has contributed to: the safe return home of over 33 000 migrants stranded in Libya; an 80 % reduction in the number of arrivals via the central Mediterranean route; and the establishment of an evacuation channel in Niger for those in need of international protection. Since November 2017, 2 105 vulnerable refugees and asylum seekers have been evacuated. The EU Emergency Trust Fund for Africa continued to tackle the root causes of instability, forced displacement and irregular migration and to help manage migration.

Responding to humanitarian crises and emergencies

The conflict in Syria has led to unspeakable misery for millions of people. Since the beginning of hostilities in 2011, the EU has provided life-saving support to civilians in Syria and in its neighbouring countries. Its humanitarian aid projects in Syria, Jordan, Lebanon, Egypt and Turkey amounted to €311 million in 2018.

International conflicts can only be solved through a strong multilateral system and almost half of the EU's humanitarian aid funding in 2018 went to UN organisations — most notably the World

EU CRISIS RESPONSE WORLDWIDE: KEY INTERVENTIONS



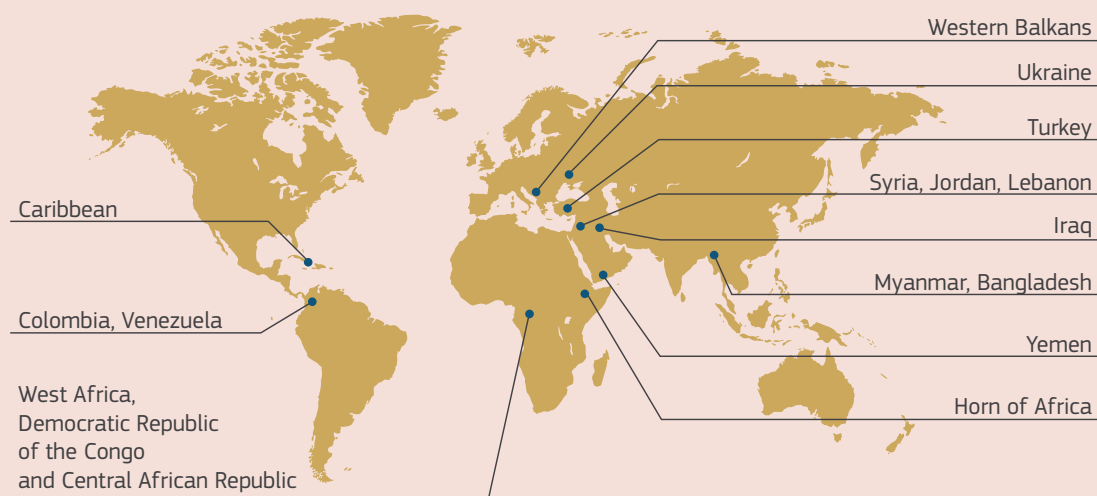
The EU operates a network of 48 humanitarian field offices, comprised of 150 international humanitarian experts and 315 national staff, to act fast and coordinate crisis response worldwide.



EU humanitarian aid provides emergency funding for essential supplies such as food, water, shelter, healthcare and education.



The EU is the biggest international donor in addressing the Syrian crisis, providing over €11 billion.



Food Programme, the two UN agencies for refugees and migration, Unicef and the World Health Organisation. In 2018, education projects became central to the EU's humanitarian aid response and amounted to €100 million.

In 2018 the European Union activated its civil protection mechanism on 10 occasions to respond to sudden onset disasters in Latin America, Africa and Asia. When a series of earthquakes and a tsunami struck Indonesia in late September, for example, the European Commission coordinated the delivery of shelter, power modules and water purification from eight different EU Member States.

Human rights

The EU continued to defend and promote [human rights](#) especially at a time when respect for these rights is being eroded in many parts of the world. The 70th anniversary of the Universal Declaration of Human Rights was strongly supported by the EU. The 'Good Human Rights Stories' launched at the UN General Assembly brought together an alliance of countries and highlighted examples of positive human rights practices.

Equality between women and men is one of the fundamental values of the EU and a priority for its European and international policies. The EU supports the United Nations Women, Peace and Security agenda. It is also working on implementing the action plan set out in the working document on

'Gender equality and women's empowerment: transforming the lives of girls and women through EU external relations, 2016-2020'.

In 2018 [Electoral Observation Missions](#) went to The Gambia, Kosovo (this designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence), Lebanon, Tunisia and Honduras.

EU sanctions

[Sanctions](#), often called 'restrictive measures', are one of the EU's tools to promote the objectives of the common foreign and security policy: peace, democracy, and the respect for the rule of law, human rights and international law. They are always part of a wider, comprehensive policy approach involving political dialogue and complementary efforts. EU sanctions are not punitive, but designed to bring about a change in policy or activity by the target country, entities or individuals. A map of EU sanctions can be found at https://ec.europa.eu/fpi/what-we-do/sanctions_en

Working with international partners



Federica Mogherini, High Representative/ Commission Vice-President, and Amina Mohammed, Deputy Secretary-General of the United Nations, attend a launch event of the Latin America Programme during the 73rd session of the UN General Assembly, New York, United States, 27 September 2018.

The EU must take strategic responsibility to act alone when necessary and with partners whenever possible. This is why the EU strengthened its cooperation with other international partners, such as NATO and the United Nations.

The United Nations

The EU believes in a rules-based international order with the [United Nations](#) at its heart for a stable and secure world. At the UN General Assembly in 2018, the EU delegation (led by President Donald Tusk and President Jean-Claude Juncker) agreed a renewed strategic partnership with the UN, including a commitment to enhance development cooperation. The EU supported the reforms proposed by UN Secretary-General António Guterres to make the UN fit for purpose in the 21st century. Cooperation on peace and security intensified, notably in the Central African Republic, Mali, Sahel, Libya and Somalia.

A stronger EU–NATO partnership

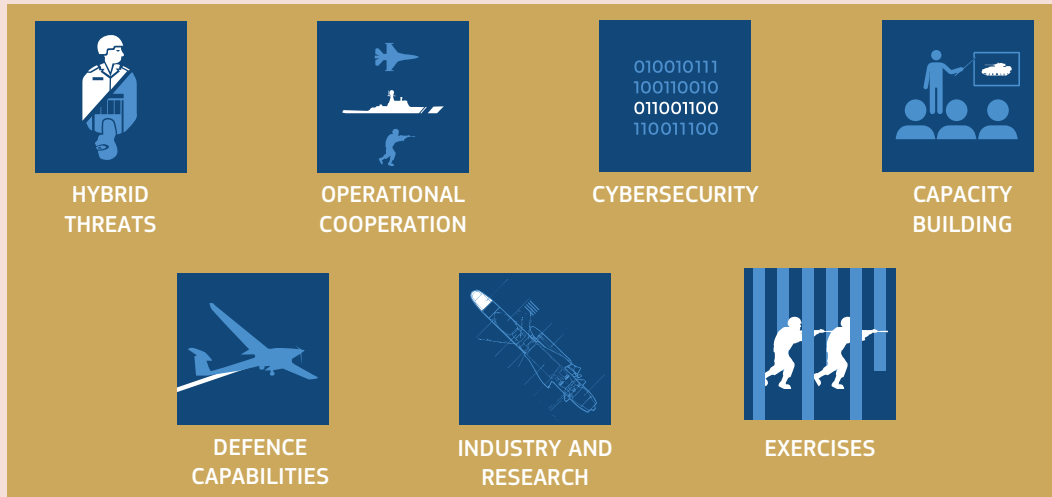
The cooperation between the EU and NATO constitutes an integral pillar of the EU's work in strengthening European security and defence, as part of the implementation of the EU Global Strategy.

Altogether, 74 concrete actions are currently being implemented in various areas, with the third progress reports issued in 2018 highlighting rapid progress and added value in EU–NATO cooperation.

EU-NATO COOPERATION

Information sharing
Coordinated planning
Concrete cooperation

in the areas of:



Furthermore, the EU and NATO conducted a coordinated and parallel exercise to improve and enhance the EU's ability to respond to a complex crisis of a hybrid nature and to further develop interaction between both organisations in situational awareness, cyber-crisis response, and strategic communication in crisis situations.

The European Union in the G7 and G20

The European Union is a full member of the G7 and G20. In these fora, the EU fights to preserve the rules-based international order, which is currently under great strain, in terms of trade, security, climate change and human rights. Meeting in Canada in June, G7 leaders committed in a [declaration](#) to fight trade protectionism and to modernise the World Trade Organization, and urged Russia to end its actions undermining democracies and its support of the Syrian regime. They also called for the denuclearisation of the Korean peninsula and of Iran. G7 leaders vowed to work together to achieve inclusive growth and gender equality, and the EU reaffirmed its strong commitment to implementing the Paris Climate Agreement. At the G20 meeting in Buenos Aires, leaders issued a [declaration](#) focusing on building consensus for fair and sustainable development. G20 leaders renewed their commitment



Commission Vice-President Andrus Ansip discusses with Navdeep Bains, Canadian Minister for Innovation, Science and Economic Development, at the meeting of G7 Ministers for Employment and Innovation on 'Preparing for jobs of the future', Montreal, Canada, 28 March 2018.

to work together to improve a rules-based international order and supported the necessary reform of the WTO to improve its functioning.

The EU's long-term budget 2021-2027

The EU is the world's biggest donor of development assistance, the first trading partner and the first foreign investor for almost every country in the world. The EU will increase the money it spends on development and humanitarian aid in the long-term budget for 2021 to 2027. [As a Union promoting peace, stability and exporting its values and rules](#), it is faced with many challenges as well as opportunities in an increasingly complex and connected world. Prosperity and peace in the EU's neighbourhood has a positive impact on the EU's own prosperity. For the next long-term budget, the Commission proposes to increase investment in external actions by 26 % to €123 billion, along with a major restructuring of the EU's external action instruments to provide better coherence, build on cooperation effectiveness, simplify processes and use economies of scale.

The year also saw the launch of the [European Defence Fund](#) to help countries spend taxpayers' money more efficiently, reduce duplications in spending, and get better value for money. The Fund will coordinate and amplify national investments in defence research and developing defence equipment and technology. It has two main strands: (i) research; and (ii) development. Research could typically cover electronics, metamaterials, encrypted software and robotics, while development could cover defence equipment and technology such as developing drone technology or satellite communications to reduce costs.

Security threats know no borders and are becoming increasingly international. The complex nature of these challenges is such that no Member State can or should be made to meet them on its own. The EU budget must support Member States in their responsibilities and efforts to keep Europeans safe. The EU budget for security and defence according to the Commission's proposals to Council and Parliament will amount to some €19.5 billion (€13 billion for the European Defence Fund plus €6.5 billion for military mobility under the Connecting Europe Facility). In addition, according to the High Representative's proposal to the Council with support of the Commission, a further €10.5 billion will be made available outside the EU budget for the European Peace Facility. Overall expenditure on security and defence for 2021-2027 should therefore exceed €30 billion.

'A European Commission under my leadership will be committed to filling the special partnership with the European Parliament with new life. I am also committed to enhanced transparency when it comes to contact with stakeholders and lobbyists.'

Jean-Claude Juncker, political guidelines, 15 July 2014



A Union of democratic change

In his 2014 political guidelines for the next European Commission, Commission President Jean-Claude Juncker committed to 'work to re-gain citizens' trust in the European project'. To fulfil this aim, the Juncker Commission has worked since day one to make the EU more democratic, by opening up the policymaking process to citizens' input, boosting transparency and embedding Better Regulation principles at the heart of the Commission's work.

2018 continued to build on previous achievements by presenting new future-oriented initiatives. In February, the Commission presented practical measures to EU leaders to improve the connection to citizens at the next European elections and make the EU work more efficiently. Citizens' Dialogues

went from strength to strength, with the 1 000th Dialogue taking place in Freiburg, Germany, in October with President Juncker, and wide-ranging debates on the future of Europe.

Many of these Citizens' Dialogues discussed the future of Europe, a debate that gathered pace in 2018 with discussions online and in parliaments, cities and regions across the Union in the run-up to the decisions that the Union is expected to take at the Sibiu Summit in May 2019.

The Commission gave its views on the selection process for the next Commission President, the composition of the future European Parliament and Commission and the functioning of a double-hatted President for the Commission and European Council.

The European Parliament and the Council reached agreement in February on new rules for funding European political parties and in December on the reform of the European Citizens' Initiative, which includes more information and help for organisers, making it easier for citizens to prepare an initiative. And in May the Commission presented its proposal for the future long-term budget of the Union, launching a process with the other European institutions to ensure that the EU will have the resources to meet the Union's ambitions and face current and future challenges.

The future of Europe

In the 2016 State of the Union address, President Juncker kick-started the reflection process on the future of Europe, and of the EU at 27. EU leaders adopted two important Declarations on the path ahead: at Bratislava in September 2016, and Rome in March 2017 and in parallel, the Commission, together with the European Parliament and the Member States, invited citizens to contribute to the debate on the Future of Europe by participating in Citizens' Dialogues and through [online consultations drafted by citizens themselves](#).



Jean-Claude Juncker, President of the European Commission, speaking at the plenary session of the European Parliament on the debate on the future of Europe, Strasbourg, France, 23 October 2018.

In March 2017 the European Commission published a White Paper on the Future of Europe, offering five scenarios for how the Union could evolve. This was followed by a series of five reflection papers on the issues that will most affect the EU's future. President Juncker proposed a Roadmap for a More United, Stronger and More Democratic Union in his 2017 State of the Union address.

Building on this, national leaders agreed on a Leaders' Agenda — a list of the most pressing issues and challenges for which solutions should be found, ahead of the European elections in May 2019. Substantial progress has been made so far, with the Commission adopting all proposals that were requested by EU leaders in Bratislava and Rome, making ambitious proposals in the areas of migration, Economic and Monetary Union, institutional issues, taxation in the digital economy, digital issues, research and innovation, education and culture.

In February 2018 the Commission proposed a package of options to make the EU work more efficiently including by confirming and improving the system of lead candidates for President of the European Commission ('Spitzenkandidaten'). It also called for the links between European political parties and their national and regional member parties to be more transparent, so that voters can easily see how their vote translates into decisions in Europe. To ensure the European elections are free and fair, in September 2018 the Commission presented additional specific measures which aim to protect our democratic processes from manipulation by third countries or private interests, such as by exploiting illegally obtained personal data.

In September 2018 leaders agreed on measures relating to internal security, while in December they agreed on measures relating to the Economic and Monetary Union.

The road to Sibiu

In the Roadmap for a More United, Stronger and More Democratic Union, President Juncker proposed a special leaders' meeting in Sibiu, Romania, to discuss strategic issues on the future of the Union. The informal leaders' meeting will take place on 9 May 2019, where national leaders should be able to send a message of hope, unity and determination, and recall our shared values. It will also be an opportunity to mark the culmination of the process of reflection on the future of Europe with a renewed commitment to an EU that delivers on the issues that really matter to people. On this occasion — 6 weeks after the United Kingdom is due to leave the EU and 2 weeks before the European Parliament elections — leaders are expected to reflect on a new Strategic Agenda that will set priorities and guide the work of the European Union over the next 5 years.

In the 2018 State of the Union address, President Juncker repeated the commitment to deliver a more united, stronger and more democratic Europe. On the 'Road to Sibiu' there are a number of milestones and key initiatives to deliver on the Commission's 10 political priorities, as well as the complementary forward-looking proposals. There are three priorities for the three EU institutions making all of this a reality — the European Parliament, Council and Commission.

- ▶ Delivering what was agreed and promised — adoption of the legislative proposals still pending.
- ▶ Overcoming important outstanding challenges — including completing work in the area of migration; reinforcing the Economic and Monetary Union and addressing increasing tensions in the global trading system.
- ▶ Giving the European Union a perspective for the future. It is with this in mind that, in May, the Commission tabled its proposal for the next long-term budget of the Union of 27 Member States (2021 to 2027). To enable the Union to be an effective and sovereign global actor, the Commission proposed in September greater use of qualified majority voting in certain areas of EU common foreign and security policy. Initiatives to give a perspective to the future of the Union also include a further reinforcement of mechanisms to protect and defend the rule of law in all Member States.

The EU agenda in 2019 will be marked by three words: delivery, destiny and democracy.

Delivery is the Commission's and President Juncker's main focus right until the very last day in office. All the proposals based on the 10 Priorities of the Juncker Commission are now on the table, but around 241 proposals still need to be adopted in the next few months. The College will be working flat out to ensure that as many as possible of these proposals are formally adopted by the co-legislators to make a real difference in people's lives.

2019 will be the year when Europe must take its destiny into its own hands, as President Juncker called for in his last State of the Union speech. On 9 May in Sibiu, Romania, the 27 leaders will usher in a new dawn with a very special summit that will pave the way for a stronger, more united and more democratic Europe.

Just 2 weeks after Sibiu, Europeans will take part in the second largest election anywhere in the world — second only to the Indian general election. Democracy and European elections will be a chance for people to have their say on the kind of Union they want and for all parties from across the spectrum to put forward their ideas for the future.

The European Parliament



Antonio Tajani, President of the European Parliament, speaks during a press conference about the withdrawal of the United Kingdom from the EU in the European Parliament, Strasbourg, France, 15 November 2018.

The European Parliament tackled a wide range of policy issues in 2018, adopting legislation to prevent money laundering and terrorist financing, to make sure Member States know who is crossing the external borders, to set up a new Solidarity Corps to help young people to volunteer or work in projects in their own country or abroad, to encourage the development of an environmentally sustainable ‘circular’ economy and to reduce greenhouse gas emissions. It also approved a modernisation of Europe’s tools to tackle unfair trading practices by countries around the world and legislation to make fairer and more effective the rules on workers who are posted to work in another EU country than their own.

The European Council

The European Council held an informal meeting in February to discuss institutional issues encompassing the composition of the European Parliament, transnational lists and appointments, including the ‘Spitzenkandidaten’ for the post of President of the European Commission. In addition, leaders held a debate on the political priorities of the EU’s next long-term budget (2021-2027).

The March the European Council focused on the economy (in particular the Single Market Strategies), trade, social issues, and preparations for the May EU–Western Balkans Summit. In the context of the Leaders’ Agenda, discussions also took place on digital taxation and foreign relations. The European Council (in its Article 50 configuration of 27 Member States) adopted guidelines on the future relationship with the United Kingdom. At the Euro Summit, leaders held an exchange of views on all elements of the Economic and Monetary Union, except for the Banking Union and the European Stability Mechanism.



Donald Tusk, President of the European Council, at the European Parliament in Strasbourg, France, 24 October 2018.

EU leaders met in Sofia, Bulgaria in May for the EU–Western Balkans Summit. Prior to the summit, leaders held a working dinner in the context of the Leaders' Agenda where the discussion was dedicated to digital issues, and research and innovation.

In June the main topic discussed by leaders was migration. Security and defence, the EU's next long-term budget (2021-2027), trade, the European Semester, digital taxation, and innovation and digital Europe also featured on the agenda. At the Euro Summit, leaders discussed the completion of the Banking Union and the future role of the European Stability Mechanism. The European Council (meeting as the 27 Member States in the Article 50 formation) reviewed the state of progress in negotiations on the withdrawal of the United Kingdom from the EU, noting the lack of substantial progress since the March European Council on the draft Withdrawal Agreement as well as on future relations.

At an informal meeting in Salzburg in September, leaders addressed the Article 50 negotiations, in addition to internal security under the Leaders' Agenda. They also took stock of the implementation of the June European Council conclusions on migration.

In October leaders came back to internal security and migration as a follow-up to September's informal meeting. Under external relations, leaders addressed EU–Africa relations, the EU–Arab League Summit scheduled for February 2019, the 2030 Agenda for Sustainable Development and preparations for the United Nations Climate Change Conference in Katowice, Poland. Leaders also held discussions on Article 50 negotiations and on issues related to the Economic and Monetary Union.

In November an extraordinary European Council (Article 50) meeting was held to allow EU-27 leaders to endorse the draft Withdrawal Agreement and approve the Political Declaration setting out the framework for the future relationship between the EU and the United Kingdom.

In December the European Council discussed the next long-term budget, migration, the Single Market, climate change, security and defence, disinformation, the fight against racism and xenophobia, Citizens' Dialogues and Citizens' Consultations, and Preparations for the Strategic Agenda. Under external relations, leaders addressed preparations for the EU–Arab League Summit, Russia, and the EU–Japan Economic Partnership Agreement. A European Council (Article 50) meeting also took place, as well as a Euro Summit where the main issues discussed were a budgetary instrument for convergence and competitiveness for the euro area, and the strengthening of the international role of the euro.

The Council of the European Union

Bulgaria and Austria held the rotating Presidency of the Council of the European Union in 2018. During the first half of the year, Bulgaria focused on migration, security, digital economy, the western Balkans, and economic and social cohesion. In the second half of 2018, the Austrian Presidency focused on migration, internal security, subsidiarity and digitalisation.

The European Economic and Social Committee and the European Committee of the Regions

In 2018 the European Economic and Social Committee was actively involved in discussions on the EU's next long-term budget 2021-2027, holding a plenary debate in September with the participation of Commissioner Günther Oettinger, responsible for budget and resources, and in the debate on the European Citizens' Initiative. In May the Committee held a commemorative plenary session to celebrate its 60th anniversary and hosted the annual Civil Society Days, which focused on citizenship, democracy and culture in a digitalised Europe.

In the first half of 2018, the European Committee of the Regions was engaged in the work of the Task Force on Subsidiarity, Proportionality and 'Doing Less More Efficiently' contributing on the issues that



Luca Jahier was elected President of the European Economic and Social Committee in April 2018.



Karl-Heinz Lambertz, President of the Committee of the Regions, presenting the European Week of Regions and Cities 2018 and the next generation of Cohesion Policy Programmes, Brussels, Belgium, 8 October 2018.

are important to local and regional authorities. The Committee continued with the series of town-hall events and Citizens' Dialogues on the future of Europe, culminating in the adoption of the [opinion on the future of Europe](#), and with reinforcing the Cohesion Alliance — a coalition of those who believe that EU cohesion policy must continue to be a pillar of the EU's future. The Committee also hosted the ninth European Conference on Public Communication in November, dedicated to Campaigning for Europe in preparation for the European elections in 2019.

Completing the Better Regulation Agenda

Commission Work Programme 2019

In October the European Commission presented its Work Programme for 2019. This set out three main priorities for the year ahead: reaching swift agreement with co-legislators on pending legislative proposals to deliver on the 10 political priorities; adopting a limited number of new initiatives to address outstanding challenges; and, as part of the roadmap to the Sibiu Summit on 9 May 2019, presenting several initiatives with the perspective of a future Union of 27 Member States, reinforcing the foundations for a strong, united and sovereign Europe. New initiatives cover areas such as migration, reinforcing Economic and Monetary Union, reducing tensions in the global trade system, tackling challenges to the rule of law and finalising the agreement for the United Kingdom's withdrawal from the EU.

The Task Force on Subsidiarity, Proportionality and 'Doing Less More Efficiently'

The Task Force on [Subsidiarity, Proportionality and 'Doing Less More Efficiently'](#) was established in 2017 to make recommendations on how to better apply the principles of subsidiarity and proportionality; identify policy areas where work could be re-delegated or definitely returned to EU countries; and find ways to better involve regional and local authorities in EU policymaking and delivery. It was chaired by Frans Timmermans, First Vice-President of the Commission, and included representatives

ACTIVE SUBSIDIARITY: A NEW WAY OF WORKING



of national parliaments and of the Committee of the Regions. The European Parliament was also invited to nominate representatives, but decided not to do so.

On 10 July the Task Force issued its [final report](#). It concludes that a new way of working on subsidiarity and proportionality is needed to allow local and regional authorities and national parliaments to make a more effective contribution to EU policymaking and in the design of new legislation. The proposed new approach would see subsidiarity and proportionality being assessed more consistently by all levels of government, on the basis of a ‘model grid’ — comparable to a subsidiarity and proportionality checklist. The Task Force did not identify any competences or policy areas that should be re-delegated definitively, in whole or in part, to the Member States.

In response to the report of the Task Force, the Commission published the communication ‘[The Principles of subsidiarity and proportionality: Strengthening their role in EU policymaking](#)’ on 23 October. The Commission intends to implement many of the actions in the Communication as part of the ongoing exercise taking stock of its better regulation agenda, and will report on this in the spring of 2019.

Working to simplify legislation

In line with the commitment taken in the Interinstitutional Agreement on Better Law-Making, in November the Commission presented an Annual Survey of the Union’s efforts to simplify legislation, to avoid overregulation and reduce regulatory burdens undertaken in 2018. This work is carried out within the Regulatory Fitness and Performance Programme that aims to identify opportunities to simplify legislation and reduce unnecessary costs. Every time the Commission proposes to revise existing law, it checks whether it can be simplified and any unnecessary costs removed. The survey finds that, under the Regulatory Fitness and Performance (REFIT) Programme, the current Commission has delivered more than 150 initiatives focused on simplifying legislation and reducing burdens. A recent example is a proposal to amend the current VAT rules where compliance costs for small businesses are expected to be reduced by €11.9 billion per year to €56.1 billion per year, an 18 % reduction compared to the present situation.

This endeavour is supported by the REFIT platform (composed of a Stakeholders and Government group) that has issued 31 opinions in 2018 recommending the Commission to take actions in areas that are particularly burdensome to citizens and business.

Other major simplification initiatives were undertaken in 2018 in the context of the EU's next long-term budget (2021–2027). The new programmes will make it easier for beneficiaries to apply and benefit from EU funding opportunities.

The Interinstitutional Agreement on Better Law-Making

In 2016 and 2017 the European Parliament, the Council and the European Commission agreed on two Joint Declarations on the EU's legislative priorities. They highlighted 89 initiatives for which priority treatment in the legislative process was needed. This represents a common commitment by the three institutions to ensure substantial progress and, where possible, delivery before the European elections in May 2019.

By the first half of 2018, the European Commission had adopted all the initiatives announced in the Joint Declarations on legislative priorities. Of the 89 initiatives in the Joint Declaration, by the end of 2018, 61 had been politically agreed or formally adopted by the European Parliament and the Council. Of the 28 initiatives still on the table, seven are well on track to be agreed by May 2019. The remaining 21 initiatives can still be agreed by May 2019 if there is strong political will from the co-legislators.

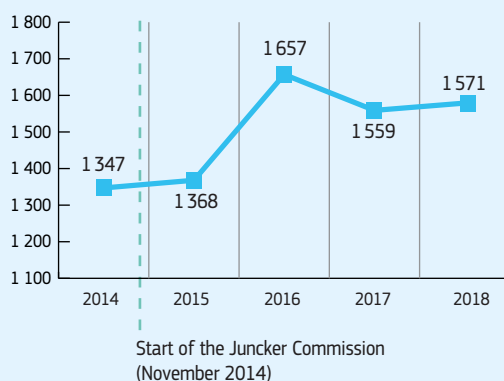
The Interinstitutional Agreement on Better Law-Making brought about more transparency, accountability and legal clarity to the existing system of implementing acts (comitology) and delegated acts. In 2018 the European Commission continued negotiations with Parliament and Council on criteria for the choice between implementing and delegated acts and on aligning existing legislation to the system introduced by the Lisbon Treaty — both follow commitments under the Interinstitutional Agreement on Better Law-Making. Negotiations are also ongoing on further improvements to the comitology system. All of these negotiations aim at increasing legal stability and reducing controversy in legislative negotiations. The new Register of delegated acts, the first truly interinstitutional law-making tool, went online on 12 December 2017.

Monitoring the application of EU law

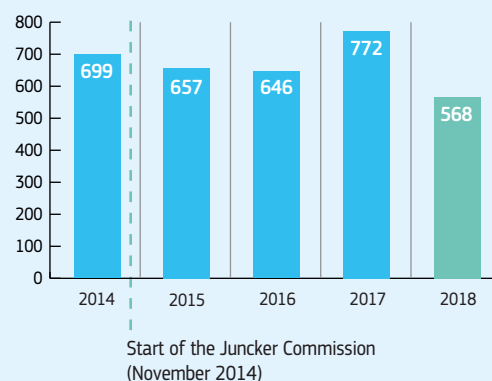
The effective application of the law is essential to guarantee that citizens and businesses enjoy the benefits of EU law. Any rule, no matter how carefully drafted and prepared, is only as effective as its implementation. The Commission therefore pays attention not only to proposing new legislation, but also to ensuring that it is properly applied and enforced.

INFRINGEMENT CASES OPENED BY THE EUROPEAN COMMISSION

Infringement cases open from year-end 2014 to year-end 2018



Infringement cases closed before going to the Court of Justice



The [Annual Report for 2017](#), published on 12 July 2018, shows a slight decrease (by 5.91 %) of open infringement cases against Member States compared to the previous year. The policy areas in which most infringement cases were opened in 2017 were mobility and transport, environment and financial stability, services and capital markets.

Giving citizens a say in EU law-making

As part of the Commission Better Regulation Agenda, the central consultation website '[Have Your Say](#)' was improved to make it easier for the general public to follow and to contribute to its law-making process.

Since the launch of the website in 2016, the number of yearly visits has constantly increased, reaching almost 500 000 for 2018. In order to take stock of its 'better regulation' approach, and assess how well the various better regulation tools work in practice and contribute to achieving its objectives, the Commission launched a [public consultation](#) from 17 July until 23 October. All citizens, organisations and public authorities with an interest or experience in EU policymaking were welcome to contribute. More than 600 contributions were collected across all Member States. These were thoroughly looked into and analysed together with the input from targeted consultations of EU institutions and bodies. The exercise will be finalised in the first half of 2019.

Ensuring the rule of law

Abiding by the rule of law is a fundamental element of democracy and of respect for fundamental rights. But it is also an essential guarantee of the functioning of the European Union — as a Single Market, as an area where laws are applied uniformly and the budget is properly spent, and as an area where Member States and their citizens can work together in a spirit of mutual trust towards our common objectives.

The greatest risk when the rule of law is disregarded is that of eroding mutual trust: refusing to play by the rules of the EU Treaties directly affects the very basis of solidarity, cohesion and the mutual recognition of national decisions.

In 2018, the Commission continued to address challenges to the rule of law in a few Member States, notably Hungary and Poland. In this context, the Commission had to resort to the use of infringement procedures and, in the case of Poland, of the provisions of Article 7 of the Treaty on European Union.

The Commission has also continued to work together with Bulgaria and Romania in the context of the Cooperation and Verification Mechanism.

A major innovation in the proposed long-term budget is the strengthened link between EU funding and the rule of law. Respect for the rule of law is an essential precondition for sound financial management and effective EU funding. The Commission is therefore proposing a new mechanism to



On 9 October 2018 Koen Lenaerts was re-elected by the Members of the Court of Justice of the European Union to serve as President of the Court until 6 October 2021.

protect the EU budget from financial risks linked to generalised deficiencies regarding the rule of law in the Member States. The new proposed tools would allow the Union to suspend, reduce or restrict access to EU funding in a manner proportionate to the nature, gravity and scope of the rule of law deficiencies.

Transparency and accountability

The Joint Transparency Register

Contacts with stakeholders and civil society are an integral part of the work of the EU institutions. At the same time, transparency and accountability are essential to maintain the trust of European citizens in the legitimacy of the political, legislative and administrative processes in the Union. Transparency of interest representation is especially important in order to allow citizens to follow the activities and potential influence of those seeking to influence the EU law-making process. This is why the Commission has tabled a proposal to upgrade the current Transparency Register by a new Interinstitutional Agreement of mandatory nature covering the European Parliament, the Commission and, for the first time, the Council of the European Union. Negotiations on this dossier with the other institutions are ongoing.

A new Code of Conduct for the Members of the Commission

The European Commission adopted the new [Code of Conduct for the Members of the European Commission](#) on 31 January. Some of the novelties include extending the notification period for post-mandate activities to 2 years (3 years as regards the President), stricter rules to the financial interests of Commissioners, better prevention of conflicts of interest and enhanced transparency (for example, regarding the bimonthly publication of Commissioners' mission expenses). Also in the spirit of transparency and accountability, and as provided for by the new Code of Conduct, the Commission will publish annual reports on its application.

Access to documents

In October the Commission adopted its 2017 Report on Access to Documents. The report shows that the number of initial requests for access to documents submitted under Regulation (EC) No 1049/2001 on public access to documents increased by almost 3 % (from 6 077 requests in 2016 to 6 255 in 2017) and the number of confirmatory requests by 1 % (from 295 in 2016 to 299 in 2017). The European Commission remains by far the EU institution handling the largest number of requests for access to documents.

This demonstrates that EU citizens and other beneficiaries are making active use of their right to access documents held by the European Commission. The requested documents were fully or partially disclosed in more than 82 % of cases at the initial stage. Wider or even full access was granted in 46 % of the cases reviewed at the confirmatory stage. In parallel, the Commission continued to publish proactively large amounts of documentation and information on its web pages and in its various public registers, covering all areas of EU activity.

Control of the EU budget

A control framework and a performance framework are in place to provide reasonable assurance that EU funds are paid in accordance with the relevant rules and that there is continuous work to ensure that measures are taken to prevent, detect and correct errors, increasing the focus on achieving results.

In April 2018, following a positive recommendation from the Council, the European Parliament gave its final approval to the way the Commission implemented the EU budget in 2016. The annual discharge procedure allows the Parliament and the Council to hold the Commission politically accountable

for the implementation of the budget and to keep the management of taxpayers' money under democratic control.

In July the Commission presented its Integrated Financial Reporting Package on the 2017 EU budget, which puts together all the available information on the implementation, performance, results, sound financial management and protection of the EU budget. The reports demonstrated that the EU budget delivered results in line with the Commission's priorities and was implemented properly.

In 2018 the Commission achieved substantial progress towards the establishment of the European Public Prosecutor's Office, which will have competence to investigate and prosecute criminal offences affecting the EU budget in the 22 participating Member States, and is expected to be operational by the end of 2020.



Klaus-Heiner Lehne, President of the European Court of Auditors, at the Global Audit Leadership Forum, Luxembourg, 26 April 2018.

In October, for the 11th year in a row, the European Court of Auditors issued a clean bill of health on the EU's annual accounts, finding them to be true and fair. Moreover, the Court detected fewer errors across the areas of spending than reported in the previous 4 years. For more than half of the EU's spending, the error rate did not even reach the level considered by the Court to be material. No errors were found on the revenue side of the budget.

National parliaments

The 2017 Annual Reports on Subsidiarity and Proportionality and on the Commission's relations with national parliaments were both published on 23 October, together with a Communication from the Commission on the principles of subsidiarity and proportionality.

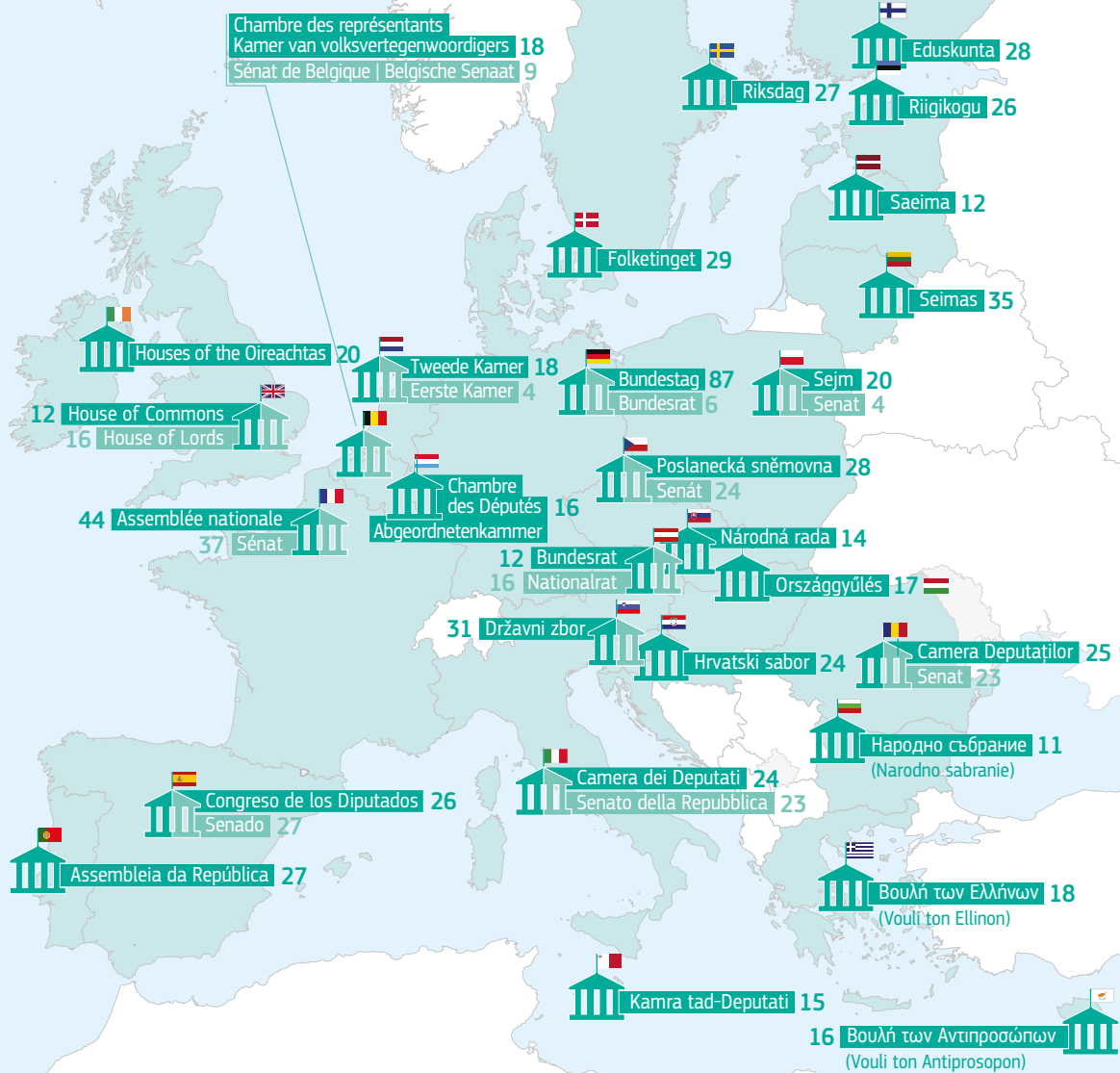
A total of 570 opinions from national parliaments were received during 2018, including 37 reasoned opinions submitted under the Subsidiarity Control Mechanism arguing that legislative acts presented by the Commission did not comply with the subsidiarity principle. The Commission continued its intensive political dialogue with national parliaments. In particular, Commissioners met with national parliaments 140 times over the course of the year, either during visits to Member States or when parliamentarians visited Brussels. Members of the Commission also attended a variety of inter-parliamentary meetings and other events at which they engaged with national parliamentarians.

The European Ombudsman

The European Ombudsman's inquiries into alleged maladministration in the institutions and bodies of the European Union covered matters relating, among others, to the Code of Conduct for Members of the Commission, and in particular to post-mandate activities, the appointment of Commission special advisors, and the transparency of international negotiations. Specific topics such as issues relating

VISITS TO NATIONAL PARLIAMENTS

Total number of visits
by Members of the Commission
to national parliaments
and vice versa since the
beginning of the mandate:
869



to calls for tenders, contracts, late payments, individual staff matters and access to documents were also addressed. In 2018, over 97 % of all 229 decisions and recommendations issued by the European Ombudsman were closed without any finding of maladministration.

The European Citizens' Initiative

The Commission registered seven new Citizens' Initiatives in 2018.

The [second 3-year report on the application of the European Citizens' Initiative Regulation](#) was published on 28 March 2018, presenting the state-of-play on the instrument, i.e. main problems stakeholders are confronted with, but also improvements already introduced or proposed by the Commission in its proposal for a new Regulation adopted on 13 September 2017.

On the occasion of the [European Citizens' Initiative Day 2018](#), organised on 10 April by the European Economic and Social Committee, the Commission launched a 3-year communication campaign on the European Citizens' Initiative. This consisted mainly of social media campaigns based on short videos, as well as events in Member States targeting potential multipliers.

On 22 May a [European Citizens' Initiative Forum](#) was also launched. The Forum is an online collaborative platform, which supports citizens interested in starting an initiative or who are already coordinating an initiative by showcasing best practices, by helping with finding partners in other countries or by providing independent advice by experts.

On 12 December, a political agreement was reached with the European Parliament and the Council on the reform of the European Citizens' Initiative, based on the Commission proposal adopted in 2017.

Citizens' Dialogues and Citizens' Consultations

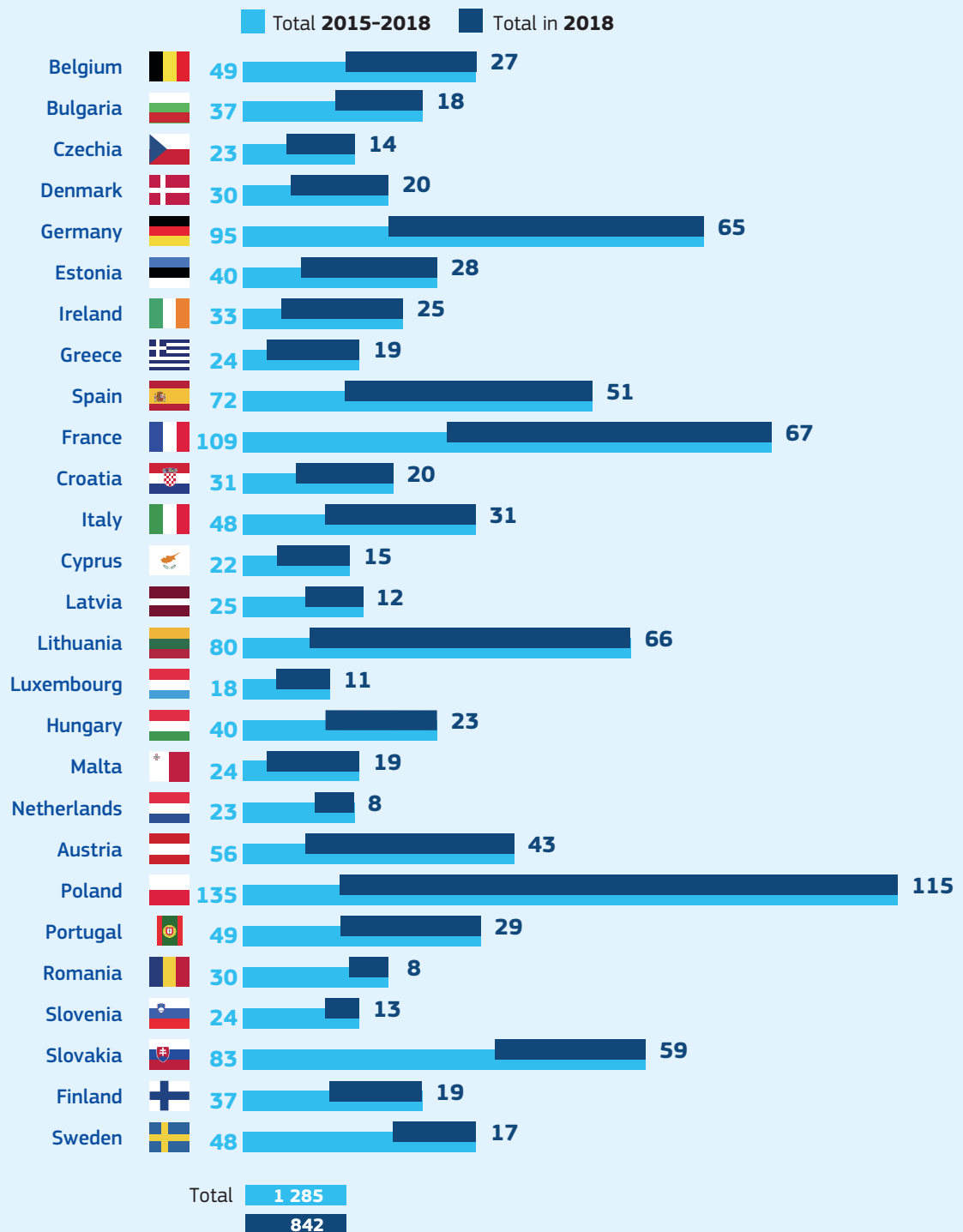


Citizens' Dialogues

Since 2015, almost 1 300 Citizens' Dialogues have taken place in over 400 towns and cities across the EU. The number of dialogues increased significantly following the publication of the White Paper on the Future of Europe in 2017. To maintain the momentum, in February 2018 the Commission announced its intention to reach a target of 1 000 Citizens' Dialogues.

On 1 October 2018, President Juncker and Winfried Kretschmann, Minister-President of Baden-Württemberg, debated with citizens at the 1 000th Citizens' Dialogue since the beginning of the Commission's mandate, in Freiburg, Germany.

CITIZENS' DIALOGUES ACROSS THE EU



In 2018, 833 Citizens' Dialogues took place in 27 Member States, bringing together more than 70 000 people. Since 2015, over 160 000 people have discussed the issues that matter most to them with the President and Vice-Presidents of the Commission, Commissioners, EU officials, members of the European Parliament and national politicians. The impact can already be seen in the work of the Commission and the other institutions. For instance, the Commission's proposals for a new long-

CITIZENS' DIALOGUES AT A GLANCE

Citizens' Dialogues in numbers

(including 20 Facebook live Citizens' Dialogues)



1 285 dialogues in **411** towns

2015 53

2016 73

2017 317

2018 842

Total outreach since 2015

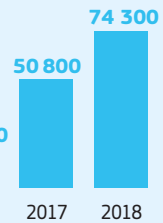


161 100
total participants

Participants
per year

17 400 **18 600**

2015 2016



Online engagement in 2018



14.7 million
social
media impressions

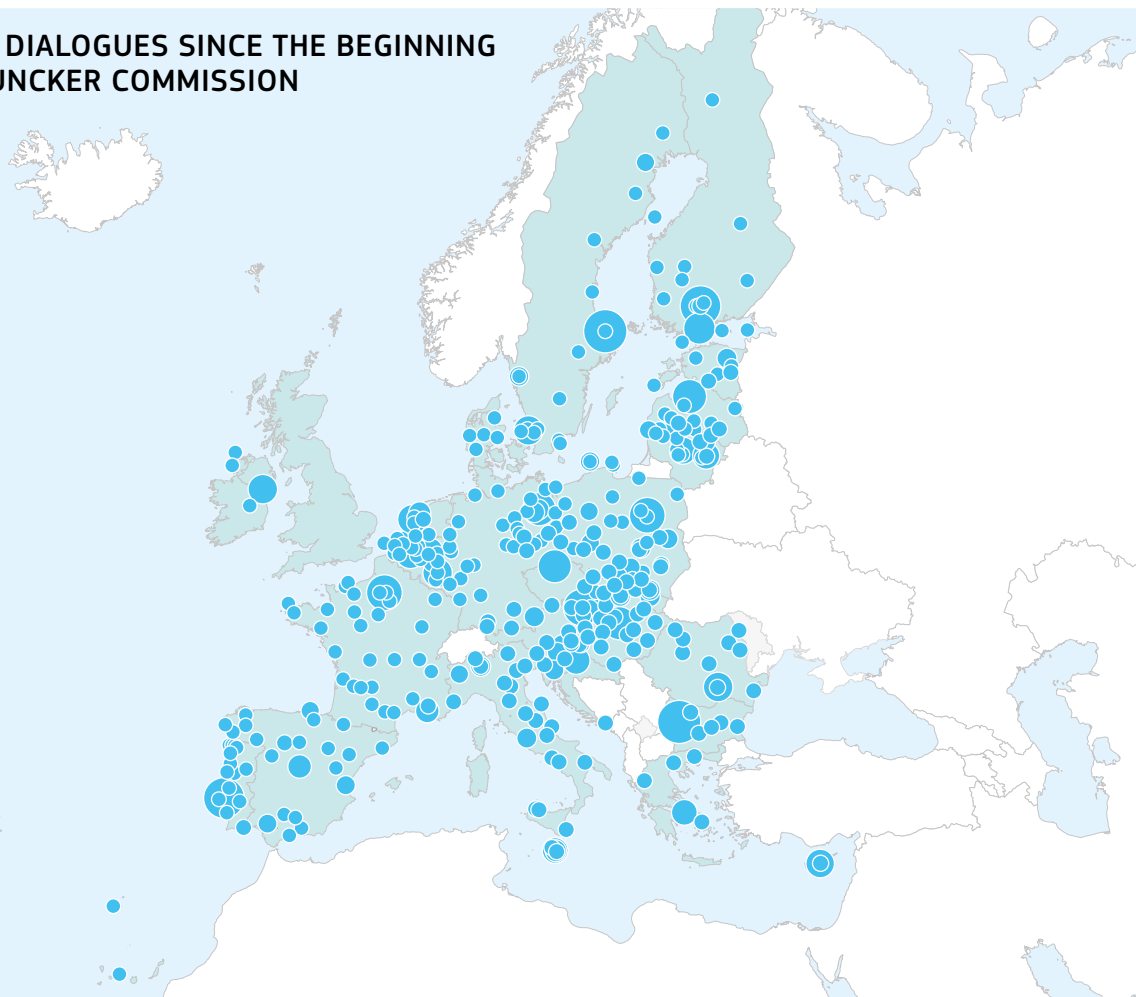


750 000
viewers
engaged via
web streaming



151 million
people
in potential media
outreach through
TV, radio, print and
online media

CITIZENS' DIALOGUES SINCE THE BEGINNING OF THE JUNCKER COMMISSION



term budget, and the subsequent discussions amongst the co-legislators, reflect the priorities and ambitions that citizens expressed during the White Paper debates.

The European Commission is developing new formats of Citizens' Dialogues, including cross-border events with citizens from two or three Member States, live Citizens' Dialogues with users of social media platforms, citizens' workshops in which citizens discuss topics all day followed by a dialogue, and new partnerships with the other institutions and Member States.

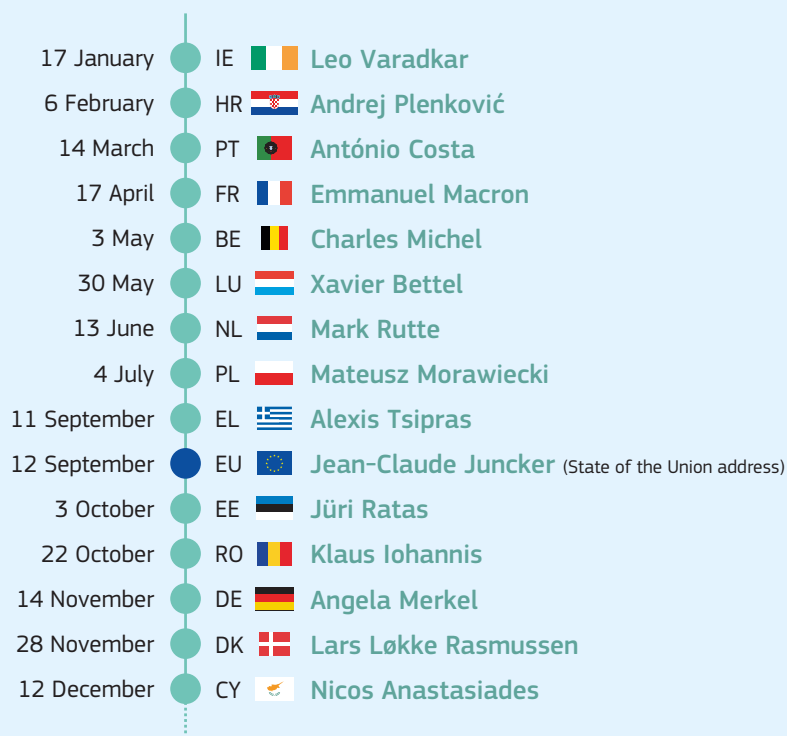
The first transnational dialogues took place in border cities in 2018 with citizens from Malta and Italy, Germany and the Netherlands, and Germany and Poland. The European Parliament and Commission co-organised a joint Citizens' Dialogue in Bled, Slovenia, in April 2018. Members of the European Parliament Franc Bogovič and Tibor Szanyi, and Commissioners Violeta Bulc and Phil Hogan, represented the institutions. The public discussed issues including rural development and smart villages, connectivity and the common agricultural policy.

Debate on the future of Europe

The debate on the future of Europe intensified in 2018. The ultimate aim of the debate is to hear all views and ideas, from right across Europe, and every voice counts. This is why the European Commission has focused on reaching out in different ways and partnering with all other institutions and Member States that want to take part. The call has been answered by many. The European Parliament launched a series of high-profile debates on the future of Europe with Heads of State or Government, and the European Committee of the Regions took the debate to Europe's regions, cities and municipalities through the [Reflecting on Europe](#) campaign.

Following initiatives by French President Emmanuel Macron and other leaders, 27 Member States agreed in March on a joint framework on citizens' consultations with citizens on the future of Europe, building on the experience of the European Commission.

EUROPEAN PARLIAMENT HIGH-PROFILE DEBATES IN 2018



THE ONLINE CONSULTATION

	Number of contributions		Number of contributions
France	 22 869	Slovakia	 844
Germany	 10 021	Czechia	 718
Hungary	 7 830	Sweden	 683
Spain	 6 419	Bulgaria	 672
Poland	 4 249	Finland	 421
Belgium	 4 187	Croatia	 407
Italy	 4 089	Luxembourg	 319
Portugal	 1 948	Denmark	 299
Romania	 1 408	Slovenia	 235
Netherlands	 1 353	Cyprus	 178
United Kingdom	 1 347	Malta	 165
Austria	 1 149	Lithuania	 146
Ireland	 867	Latvia	 109
Greece	 844	Estonia	 68
		Non-EU countries	726
		Not specified	2 572
		TOTAL	77 142

To support the process, in May 2018 the European Commission partnered with the European Economic and Social Committee in a unique exercise in participative democracy. A Citizens' Panel of 96 people from 27 Member States was selected by an independent polling agency to reflect the diversity of socioeconomic backgrounds and opinions towards the EU. Over 2 days in May they discussed and designed a set of questions to put to Europeans.

This questionnaire was the basis for an [online consultation](#), asking all Europeans what direction they want the Union to take in the future. More than 77 000 contributions were received by the end of 2018. Most of these contain qualitative comments and ideas in addition to the 'closed' questions that focus on some of the key issues for the future of Europe.

The online consultation was complemented by a Special Eurobarometer [survey on the future of Europe](#) conducted between 24 October and 7 November with a representative sample of 27 339 EU citizens.

Citizens' expectations

Despite the diversity of their formats and participants, the dialogues tend to converge around certain recurring topics. On the whole, participants tend to perceive the European Union positively. They see Europe as the key to solving problems. There are also concerns and frustrations. The question of who

should do what is often brought up. Citizens tend to think that key challenges can be tackled more efficiently by combined action at the European and national levels. They tend to be largely in favour of more harmonisation at the European level, for example for the environment and food safety. But most also expect and ask for reforms to make the Union more efficient and more transparent.

More information on the content and results of the Citizens' Dialogues and debates on the future of Europe can be found in the [Progress Report on Citizens' Dialogues and Citizens' Consultations](#) that the Commission presented to the European Council on 11 December 2018.

The withdrawal of the United Kingdom from the European Union

In a referendum held on 23 June 2016 the people of the United Kingdom voted to leave the European Union by a margin of 52 % to 48 %. On 29 March 2017 the United Kingdom formally notified the European Council of its intention to leave the European Union and the European Atomic Energy Community (Euratom). This triggered the procedure set out in Article 50 of the Treaty on European Union for a Member State to withdraw from the Union, beginning a 2-year countdown to withdrawal.

The negotiation process

The European Commission was [appointed](#) to negotiate a Withdrawal Agreement with the UK. During these negotiations, the member representing the withdrawing Member State does not participate in the European Council (Article 50) or the Council (Article 50). The Commission [appointed](#) Michel Barnier to represent the Commission as Chief Negotiator. A Task Force under Mr Barnier's leadership was [set up](#) to prepare and conduct the negotiations with the United Kingdom under Article 50 of the Treaty on European Union.

On 29 April 2017 the European Council (Article 50) adopted [guidelines](#) for the negotiations with the EU's positions and principles. On 22 May 2017, the Council (Article 50) adopted a [decision](#) authorising the opening of negotiations with the UK and the first set of [negotiating directives](#). These provided for a clear structure and a united EU approach to the negotiations.

The European Parliament also set out the [key principles and conditions](#) for its approval of the Withdrawal Agreement.

Formal negotiations began on 19 June 2017, following the UK general election. On 8 December 2017 the EU and the UK published a [joint report](#) on the areas of agreement between both sides on key withdrawal issues, namely on citizens' rights, the financial settlement and the need for a backstop solution to avoid a hard border between Ireland and Northern Ireland. Subsequently, on 15 December 2017 the European Council (Article 50) confirmed that 'sufficient progress' had been made to move to the second phase of negotiations and adopted [guidelines](#) on possible transitional arrangements and the future relationship.

On 29 January 2018 the Council (Article 50) adopted a [decision](#) authorising negotiations on transitional arrangements and [negotiating directives](#). On 6 February 2018 the Commission published its [proposal on transitional arrangements](#). On 19 March 2018, the EU and UK negotiators took another decisive step by reaching an agreement on the [draft Withdrawal Agreement](#), which translated the progress achieved during the first phase of negotiations into legal terms. It also included a legal text on the transition period.

On 23 March 2018 the European Council (Article 50) adopted [guidelines](#) on the framework for a future EU–UK relationship.

On 19 June 2018 the negotiators of the EU and the UK published a [joint statement](#), outlining further progress in the negotiations on the Withdrawal Agreement.

The European Councils (Article 50) of [29 June](#) and [17 October 2018](#) reviewed the state of negotiations and reaffirmed the strong unity of the 27 Member States and the single negotiation structure that was in place.

After 17 months of intensive negotiations, on 14 November 2018 the Commission and UK negotiators agreed on [the Withdrawal Agreement](#) on the terms of the UK's orderly withdrawal from the EU and on 22 November they agreed [the Political Declaration](#) setting out the framework for the future EU–UK relationship. On [25 November 2018](#) the European Council (Article 50) formally endorsed the Withdrawal Agreement and approved the Political Declaration.

The Withdrawal Agreement and Political Declaration on the framework of the future relationship

The Withdrawal Agreement fully respects the European Council guidelines, which set the objective to create legal certainty and preserve Union interests where Brexit creates uncertainty.

This concerned most notably citizens' rights, the financial settlement, the avoidance of a hard border on the island of Ireland, and a strong governance system preserving the role of the Court of Justice of the European Union for the interpretation of Union law. The agreement settles a range of other separation issues in order to provide legal certainty for citizens, stakeholders and business.

The Agreement also foresees a transition period until the end of 2020, which can be extended once, for up to 1 or 2 years, to be agreed jointly by the EU and the United Kingdom. During that transition period, the EU will treat the United Kingdom as if it were a Member State, except for participation in institutions and decision-making.

The Withdrawal Agreement also includes three protocols: a protocol on Ireland and Northern Ireland that provides for a legally operative backstop to ensure that there will be no hard border between Ireland and Northern Ireland, unless and until a subsequent agreement realises that objective; a protocol on the Sovereign Base Areas in Cyprus, protecting the interests of Cypriots who live and work in these Areas; and a protocol on Gibraltar, which provides for close cooperation between Spain and the United Kingdom with respect to the implementation of citizens' rights provisions in the Withdrawal Agreement, and concerns administrative cooperation between competent authorities in a number of policy areas.

The Withdrawal Agreement is accompanied by a Political Declaration setting out the framework for the future EU–UK relationship (in line with Article 50 of the Treaty, which stipulates that the Withdrawal Agreement should take account of the framework of the future relationship).

The Political Declaration defines the parameters for an ambitious and deep economic and security partnership. It covers more areas than any of the EU's existing partnerships with other third countries: goods, services, digital, mobility, transport, energy, internal security, foreign policy, security, defence and many more.

Next steps

Before it can enter into force, the Withdrawal Agreement needs to be ratified by the UK, according to its own constitutional arrangements. The ratification on the side of the United Kingdom is currently uncertain.

On the EU side, the Commission, the European Parliament and the Council (Article 50) have started to take the necessary steps to ensure that the agreement can enter into force on 30 March 2019. On 5 December 2018 the Commission adopted proposals for Council decisions on [the signing](#) and on [the conclusion](#) of the Withdrawal Agreement.

Agreements governing the future relationship with the UK will be negotiated and concluded in accordance with Article 218 of the Treaty on the Functioning of the European Union, once the UK will no longer be a Member State. Both parties committed to use their best endeavours to have these agreements concluded as soon as possible after the UK's withdrawal from the EU, with a view to ensuring that they can enter into force by the end of 2020.

The EU has been negotiating with the United Kingdom with the unequivocal objective of achieving an orderly withdrawal of the United Kingdom from the EU through an agreed and ratified Withdrawal

Agreement. This notwithstanding, the Commission has been clear that irrespective of whether there is a Withdrawal Agreement in place in time for withdrawal or not, the United Kingdom's choice to leave the European Union will cause significant disruption. The 23 March 2018 European Council (Article 50) called upon 'the Commission, the High Representative of the Union for Foreign Affairs and Security Policy and the Member States to continue the work on preparedness at all levels for the consequences of the UK withdrawal, taking into account all possible outcomes'. With this in mind, the Commission has consistently not only called on European citizens, businesses and Member States to prepare for all possible scenarios, but also put every effort into its own preparedness work.

In its first two Communications preparing for the withdrawal of the United Kingdom from the EU of 19 July and 13 November respectively, the Commission defined the scope of this preparedness and contingency work, the principles underpinning it and described the action taken so far. In the November Communication, the Commission gave a state of play on the progress on its eight legislative proposals that were already on the table of the co-legislators, and announced 18 new preparedness measures. An essential action was the publication, during 2018, of 83 Preparedness Notices, setting out the legal consequences of the withdrawal across a wide array of areas. As part of this preparedness effort, the Commission has been in contact with numerous stakeholders and businesses to explain its work and, not least, to encourage them to prepare for all possible scenarios, assess relevant risks and plan their response in order to mitigate them.

The European Council (Article 50) of 13 December 2018 called for work on preparedness for the consequences of the United Kingdom's withdrawal to be intensified at all levels and for all possible outcomes. Responding to this call, on 19 December 2018 the Commission adopted a third Communication and 14 legislative contingency measures, covering a limited number of areas where the Commission has concluded that a 'no-deal' scenario would create major disruption for citizens and businesses in the EU-27. These areas include, amongst others, financial services, air transport, customs, and climate policy. These measures are unilateral and limited in time, aim for damage limitation and can only mitigate the most severe consequences of a withdrawal without an agreement.

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The European Union



 Member States of the European Union (2018)
Candidate countries and potential candidates

