White Paper

Romanian Priorities and the Presidency of the Council of the EU
# Romanian Priorities and the Presidency of the Council of the EU

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Romanian Institute for Political Studies (IRES) and Faculty of Relational Economics International (REI)
1. Current Context

Europe is facing a variety of challenges, as recent developments have opened debates on the future shape and direction of the European Union. A series of overarching themes emerge from the diagnostic of the current challenges of the EU. First and foremost, there is a persistent lack of convergence between European regions, and increasingly more, between different categories of the public. Connected with this point, the second overarching challenges is the design of the intergovernmentalism or multilevel governance in the European Union; given the various transnational or sectorial challenges that arise, the idea of a multi-speed Europe seems difficult to apply.

➢ Division lines

New division lines appear in the European Union, without having necessarily resolved the historical disparities of development between the member states and regions. Divisions within the different categories of the public across Europe and within member states are currently just as important as the traditional divides across member states.

Regional divisions are persistently present in the EU, and they no longer align to the classical old vs. new member states categories. Newer member states are facing challenges of convergence, or catching up, as many have been recently labeled by the European Commission as “lagging regions”. However, despite the fact that CEE is still struggling with low incomes in some of its regions, high economic growth rates have been recorded across the region, as opposed to older member states, in Southern Europe (i.e. Portugal, Spain, Italy and Greece) whose lagging regions are marked by low economic growth. Many of the EU member states have seen a growing regional inequality, as convergence has stalled during and after the economic crisis.

Social divisions have become increasingly more apparent according to the various Eurobarometer data of the past decade. The values and beliefs of European citizens reflect new division lines on top of the persistent socio-economic ones, as the economic crisis in the Southern Europe and its strong negative social impact, or the current migration crisis amplify social insecurity across Europe. Capital cities are increasingly behaving very differently from rural areas in elections (e.g. Poland, Hungary, Bulgaria, UK), according to different alignments of values: as capitals remain predominantly liberal and cosmopolitan, the rural areas are increasingly turning to traditional or even fundamentalist values.

Economic divisions were meant to be tackled with from the very early existence of the cohesion policy and the integration process. Still economic grievances persist and amplify social and cultural insecurities. According to a recent assessment on CEE states, the European Union membership has made prosperity more achievable

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1 This section has been informed by an expert consultation, taking place in Vienna, 24th-25th of September, as part of the Aspen Europe’s Future Conference. For list of participants and further details please see: https://www.aspeninstitutece.org/event/conference-generation-next-future-europe/
3 Building on their classical theory of multilevel governance in the European Union (2001), Marks and Hooghe (2016) develop a novel assessment of the degree to which regional governance has increased over the course of the past decade, and what this means for communities and the power of authority.
for countries in transition, but also made the consequences of failure more apparent\textsuperscript{7}. EU-wide income inequality declined notably prior to 2008, driven by a strong process of income convergence between European countries – but the Great Recession broke this trend and pushed inequalities upwards both for the EU as a whole and across most countries\textsuperscript{8}. Also, according to recent evaluations, both inter- and intra-generational mobility has stagnated or decreased in several member states\textsuperscript{9}. Still, in a number of CEE countries (e.g. Czech Republic) citizens still believe they are better off economically than they ever were before\textsuperscript{10}. Furthermore, several regions in CEE countries have changed their status from ‘less developed regions’ to ‘developed regions’ over the course of the current multiannual financial frameworks (MFF 2014-2020).

\begin{itemize}
  \item \textbf{Facing common internal and external challenges}
  
  The practical failure of any multi-speed Europe proposal in the face of transnational issues and communalities. With subnational growing divisions (see above) there very little chance of drawing a clear-cut separation between any given member states in the EU. Counternuituitively, the subnational growing disparities between regions, between cities and rural localities, between citizens, make the European project more interdependent, as only together member states can pull on their strengths to push common solutions to their current weaknesses and threats. The latter are reflected not only at the subnational level, but also at the whole European level (e.g. migration crisis, legitimacy crisis, competitiveness in the global markets).

  In the State of the Union speech delivered by President Juncker in September 2018, he underlined the importance of unity in tackling both internal and external threats: “United, as a Union, Europe is a force to be reckoned with”\textsuperscript{11}. As a measure of the strength of the European Union, Juncker mentioned such victories as the recorded economic growth (following the turmoil of the economic crisis), the global trading position of the EU (covering 40% of the world GDP), the size and resilience of the single market, as well as the Paris Agreement on climate change.\textsuperscript{12} On the side of further challenges, president Juncker referred to the neighborhood commitments, especially in the Western Balkans, as well as playing a more active role in humanitarian crisis such as the one in Syria. In terms of commitments, he summed up a yet incomplete term in office, around the following priorities: (1) a more innovative Digital Single Market, (2) a deeper Economic and Monetary Union, (3) a Banking Union, (4) a Capital Markets Union, (5) a fairer Single Market, (6) an Energy Union with a forward-looking climate policy, (7) a comprehensive Migration Agenda, and (7) a Security Union\textsuperscript{13}.

  \item \textbf{Political dimension \textit{“It’s the politics, stupid”}}

  The political dimension seems to be the biggest current challenges to the future of Europe. As the EU was created top-down, the solutions for its current turmoil should also be top-down.

  Rule of Law (RoL) is clearly one of the sources of political tension amongst member states. Despite the fact that the procedures of Art. 7 were launched for Hungary (in 2015) and for Poland (in 2017), there is increasing uncertainty as to how exactly will the EU strengthen in practice the Rule of Law amongst its member states. Some corrective measures to strengthen compliance might include the future multiannual financial framework (MFF 2021-2027) proposal of clear conditionality on the EU funding with respect to RoL. This type of
\end{itemize}

\textsuperscript{10} \url{https://www.cbos.pl/SPISKOM.POL/2018/K_109_18.PDF}
\textsuperscript{12} Idem fn. 11.
\textsuperscript{13} Idem fn. 11, p. 6.
sanctions has however the downside of strengthening nationalistic and Eurosceptic rhetoric, thus constituting Pyrrhic victories for the EU. Still, there is little commitment to strengthen preventive measures in support of RoL (e.g. budgetary allocations for CSOs that promote democratic values in EU member states are only about 50 mil. euro).

Extremist parties are gaining ground across Europe. As there are increasingly more Eurosceptic ruling parties in Europe (i.e. Hungary, Poland, Italy), there is a looming failure of multilateralism in Europe. European member states are going through political turmoil as electoral cycles prove there is ever rising polarisation in the platform of the main political parties. National scenes become divided between mainstream and extremist parties. The European decision-making forums will inevitably suffer tensions as well, in the process of incorporating and representing national view-points. The political crisis in the peripheries (e.g. Italy, Spain), in CEE (e.g. Poland, Hungary), or in Western Europe (e.g. France, Netherlands) point to emerging threats to the European construct as a whole. Reflecting these political trends at the national level, the Council of the European Union lacks unity of vision and will, and as such it is unable to provide convincing programmatic alternatives.

Across Europe, and especially in CEE there is a dual decrease in the quality of democracy (QoD)\textsuperscript{14} and quality of governance (QoG)\textsuperscript{15}. As multiculturalism is increasingly dismissed by extremist ruling parties, the quality of democracy is affected by the decreasing representativeness of all grievances, and popular preferences. At the EU level, this fuels into the issues of procedural legitimacy, as democratic accountability requires clear and transparent decision-making processes\textsuperscript{16} both at the national, and European level. The challenges related to poor quality of Governance (QoG) especially in newer member states are directly linked to corruption and the Rule of Law (RoL), as well as to effective use of domestic and European resources. The general concern regarding the quality of governance is especially amplified by the weaker institutional capacity at subnational level, in the case of newer member states. In a context of depreciating quality of democracy and quality of governance, European citizens’ share of the benefits of integration is diminished. As such, individual disenchantments fuel the rise of extremism, as mentioned in the previous paragraph.

EU subsidiarity is again under question, as to what is the optimal balance of powers and responsibilities between the EU and the member states, in the context of increasing interdependencies, and failures of coordination across specific policies (e.g. energy, migration, social). The political elites fail to provide coherent solutions to these current challenges.

\textbf{Economic dimension}

There is widespread pessimism regarding the potential resurgence of a financial and economic crisis in the European economy. The limited economic convergence between the centre and the peripheries has left many disgruntled parties, and Brexit is likely to have a negative impact on the internal market.

The biggest challenge ahead for the European union (especially after Brexit) is to develop a truly functional capital market—one that is able to support both the entrepreneurial and innovation objectives of development. In the CEE region at the moment, companies are approximately 90% reliant on banks for financing, while at the level of certain member states, such as Romania approximately 75% of SMEs are self-funded. Especially for the high-tech sector, access to mature, well-developed capital markets is an essential ingredient for success.

\textsuperscript{14} for metrics on the quality of democracy (QoD) see Varieties of Democracy Index, available here: https://www.v-dem.net/en/
\textsuperscript{15} for metrics on the quality of government (QoG) at subnational level in the EU, see European Quality of Government Index (EQI) developed by the Quality of Government Institute of Gothenburg University with the support of DG Regio, available here: http://ec.europa.eu/regional_policy/en/information/maps/quality_of_governance.
In terms of economic challenges, it is also important to develop the resilience and competitiveness of the single market, as more than the sum of its parts, and to build on regional specialization in order to achieve sustainable growth across the regions. The Regional Competitiveness Index (RCI) is a useful subnational metric assembled by the European Commission. While certain regions and member states remain industrial leaders (e.g. Germany, France, Italy), there are new growth drivers across Europe, from entrepreneurship in the Baltic states, to agricultural production in countries like Romania or Bulgaria.

The competitiveness of the European single market is especially important in the context of what is generally referred to as Trade Wars (i.e. increase in protectionism, and contestation of multilateral liberalization). Externally, the EU loses ground in international trade, competitiveness of its MNCs or innovation, and there is yet to be achieved consensus on how to tackle these threats to European growth and development.

Economic growth is key to the overall development of new member states. CEE region has for example recorded high growth rates over the past years, yet its economic development model is just as important as overall figures. Prosperity has to be home grown, depending on a range of competitive small and medium businesses, and these countries must also commit to innovation and integration of new technologies as core drivers of domestic economic development. Also, the extent to which national or regional development is translated into individual well-being is of paramount importance. Despite good economic performance in many EU member states, people do not always feel the benefits themselves, as growing inequality of income figures show17.

➢ Social dimension

Europe is facing several social challenges at the moment. On one hand the demographic pyramid issue means not only a rising pressure of social protection measures for an increasingly elderly population, but also a grave loss of the consumption capacity in the internal market. The inward migration flow could potentially meet currently unfulfilled demands of the labour market, but they also impose significant pressures of assimilation on both institutions and societies. On the other hand, the design of the social model in the European Union as a whole is an open discussion, from the new social compact to the new social fund.

Protecting and preserving human dignity is one of the cornerstone ideas of the humanistic European project. Yet, in the face of various economic and security challenges, not the least the current migration crisis, EU seems prone to question its role in ensuring that its citizens achieve this threshold of the quality of life and dignity of existence—one that can often constitute a benchmark for countries across the globe. The current feeling in many of the EU member states is that the current order has failed to deliver on the promise of security, protection and the creation of conditions necessary for a decent, dignified existence18.

In the face of nationalist, populist rhetoric that are increasingly anti-liberal, and anti-European, the extent to which member states and their citizens respond to common values falls under question. A sense of civility seems to be lost, as deep social cleavages appear in the tectonic formation of new identity divisions of values, ethnicity, or religion.

The sense of self-worth of European citizens is increasingly challenged by both internal (e.g. economic crisis, political extremism) and external (e.g. trade wars, cyber threats, migrants). The sense of belonging to a common space is diluted in a general state of socio-economic insecurity, and as such, it is increasingly more responsive to nationalistic identity triggers.

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➢ Technological dimension

The current developments under the broad label of the 4.0 industrial revolution impose significant strains on the EU both in terms of competitiveness, and regulation. Disputes with multinational giants in the digital sector have brought to light a new regulatory stance of EU authorities. The development of artificial intelligence (AI) programmes is highly reliant on data collection, which in turn imposes new responsibilities of regulation with concern for both data privacy, and competitive potential of EU companies in comparison to companies from USA or China.

While Industry 4.0, digitalization and artificial intelligence offer effective solutions for a number of actual challenges, they also raise concerns about their social impact, employment, education, and last but not least, about governance. Central and South East European countries are the most dynamic within the EU. Their fastest convergence is happening in digitalization. The region’s digital infrastructure is relatively well developed, as Central and South East European member states are almost on par with the EU15 in terms of internet access and mobile broadband usage.

Attracting talent and skilled human resources is important for the global competitiveness of most economic sectors, but it seems to especially important for the IT&C one. As such, in order to attract the best and brightest from across the world, European IT companies should strive to be “good work places” and provide employees with “exciting things to works on”.

Well-performing high-tech companies in CEE today are the ones that nurture collaborations with local university centres and startups. What is important to realise in the context of the StartUp Europe initiative is that the majority of the tech start-ups are born globals (i.e. companies rapidly become players on the global stage). Many European tech companies are moving up on the value chain, shifting from mobile apps to deep tech. As such, necessary but not sufficient conditions to perform are access to capital (i.e. larger markets such as USA, UK, or Japan), and access to skilled human resources (see previous paragraph)—computer engineers, and connected business specialties. As more than the sum of its parts, European tech start-ups need a prolific ecosystem to perform and be competitive on the global markets. In order to properly reflect the current dynamics and challenges of the tech sector in Europe today, it is important to involve business accelerators in the policy-making process currently shaping the entrepreneurial environment in the EU.

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19 Petre Arvai on the example of the Hungarian company Prezi that he co-founded.
21 See for example Spherik Accelerator in Romania as a Startup Europe Ambassador.
2. Procedural Considerations: Challenges and Opportunities

In 1937, Mihail Sebastian, a Romanian writer, was wondering in a journal he kept from 1935 to 1944: “Is friendship possible with people who have in common a whole series of alien ideas and feelings—so alien that I have only to walk in the door and they suddenly fall silent in shame and embarrassment?”. We might be asking ourselves now the same thing about EU and the answer might only time will tell.

The current state of the European Union is mostly marked by the coming 2019 European elections and the on-going debate about the future of the European Union at 27, these events reaching their summit under the Romanian Presidency of the Council of the European Union.

Nowadays, Europe is moving from recovery to expansion, but the way forward is still subject to debates. The leaders of the EU are trying to find solutions that will enable a better future for EU27. This is not facile when there are diverging perspectives of key institutional actors across EU, there are threats to the security and defence of the EU, there are unforeseen events that may hamper various projects and short- and long-term objectives of the EU, there is political instability among Member States, and many others challenges. All these EU related challenges will be presented and discussed throughout this section of the paper, alongside with opportunities that can prove to be useful for future development of EU27.

Nevertheless, considering the environment in which certain opportunities might be used from now on in the EU, presenting Romania’s related challenges and opportunities will be also brought into focus in this section.

As such, a Challenges and Opportunities analysis will be conducted, thus enabling the use of a strategic planning tool in the curriculum assessment and review process based upon collective input from multiple sources from EU and not only.

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22 All challenges and opportunities will be presented in alphabetical order, as they are all of core importance for the EU and no prioritization should be made.
## EU RELATED CHALLENGES AND OPPORTUNITIES

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<tr>
<th>CHALLENGES FOR THE EU</th>
<th>DESCRIPTION</th>
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<tr>
<td>Brexit</td>
<td>Brexit is dazzling the entire Europe, not just the Brits, is the elephant in the room. We cannot talk of challenges for the EU without putting Brexit among them. Some might argue that Brexit is a wake-up call for the EU, as most European countries have become accustomed to rely on London, Paris or Berlin for their foreign policy issues. Now, the circumstances in the shapes of Trump, Putin or Xi, challenge us to have a single voice, achieved only if we act in a centralised manner.</td>
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<td>Cyber threats, cyber security and data protection</td>
<td>EU is facing ever-increasing cyber security challenges; therefore, it needs to improve awareness of and response to cyber-attacks aimed at member states or EU institutions. Areas such as finance, energy, health or transportation are some of the most cyber dependent sectors, but also key hubs for cyber-attacks (for example, in 2016 there were 4000 ransomware attacks per day). At the same time, today’s information and communications technology (ICT) systems can be seriously affected by security incidents, such as technical failures and viruses. These kinds of incidents, often called network and information systems (NIS) incidents, are becoming more frequent and difficult to deal with. A report from The Center for Strategic and International Studies concludes that close to $600 billion, nearly one percent of global GDP, is lost to cybercrime each year. In the European Union, nearly one in two businesses feels underprepared to handle a cyberattack, even as Europol estimates the cost of cybercrime at 265 billion euro per year.</td>
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<tr>
<td>Disinformation and “fake news”</td>
<td>The issue of false information and disinformation is fundamental, but it is not something new in the European Union. “Fake news” on European issues have always existed in the EU. Some might argue that even Brexit is the result of more than 30 years of false information and that the vote was fuelled with “fake news”. But, the problem of disinformation is on the agenda of European leaders as the elections are getting closer. These elections are sensitive ones, because the EU is in an exceptional situation: one member decided to leave the alliance. Therefore, the lack of information it is mostly acknowledged to be the ground of Brexit as it is easy to tell people false information about the European Union as they might not be able to distinguish between what is true and what is false in the propaganda. Moreover, 367 million people across the EU will have the</td>
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The key towards a stronger EU, that pursues its Member States’ interests successfully and uphold their values in the global competition, is for it to act in a concerted manner. There are not rare the moments when the EU was accused of not being transparent in the decision-making process or related to issues in social, political, security or defence aspects. Some experts write that EU will be dominated by centrifugal tendencies. The probability of such scenario is considerable. It can be a crisis of liberal democracy in the world and the change of poles of power worldwide.

With regards to the Multiannual Financial Framework (2021-2027), some Member States have different approaches to fundamental issues, such as the Eurozone: for example, in the Commission’s proposal, the cohesion funds allocated to Poland may be slashed by almost 25 percent and the agriculture subsidies even by 15 percent. Therefore, Poland has a strongly negative approach towards the mechanism proposed by the EC. Germany and France would like in principle to address simultaneously the negotiation packages regarding the future MFF, as well as the EMU reform, migration, defence and security. After Brexit, Germany, despite a serious divergence of positions with France concerning the future of the Eurozone, became even more committed to the idea of European integration centred around the common currency. In such scenarios, Poland and Germany might be drifting apart.

Southern states like Italy and Greece are in favour of increasing commitment towards border control, and partnerships with Southern Mediterranean states in order to tackle the issue of migration and border security. In contrast, Northern states

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28 After its accession to the EU, Poland became the largest beneficiary of the Multiannual Financial Framework in absolute numbers.
30 In the EC’s proposal, Germany remains on the position of the biggest net payer to the EU budget. Germany’s contribution is also the largest proportionally to the size of its economy.
are either critical of increased spending (e.g. Sweden, Finland), or outright anti-immigration in countries with strong populist parties (i.e. Austria, Netherlands, Germany). An interesting case remains Italy whose position has shifted lately towards the latter anti-immigration group. Furthermore, southern states like Italy, Greece, Bulgaria have specific short-term political priorities. Greece wants the redistribution of public debt. Italy pushes for relaxation of fiscal conditionality and a change in the ECB’s mandate to buy direct government bonds. Bulgaria hopes for a fast track to eurozone accession, and more recently, the lifting of the MCV.

The positions taken by EU institutions, especially of the European Commission on one hand, and the European Council and/or European Parliament on the other hand, are known not to always pursue the same targets. For example, in Bocquillon and Dobbels (2013), the relationship between the European Council and the European Commission, both before and after Lisbon Treaty, is presented as one where tensions might arise, but competition and cooperation run in parallel and create both challenges, in terms of conflict management, and opportunities, in terms of mutually reinforcing initiatives.

In September 2017, European Commission President Jean-Claude Juncker and French President Emmanuel Macron each outlined their visions for the future of Europe. In June 2018, German Chancellor Angela Merkel entered the debate, presenting her own ideas. The resulting document, written by the European Political Strategy Centre – the European Commission’s inhouse think tank that reports directly to President Juncker and operates under his authority, “Three Visions, One Direction” provides a comparative assessment of the three interventions and the proposals advanced. While recognising the nuances, the analysis reveals a strong convergence of opinions between the three leaders, while they all share concerns over Europe’s long-term prospects and a desire to shape Europe’s future. For example, in respect of the future development of EU27, President Juncker believes in the unity of it, although he leaves open the possibility to advance initiatives with a smaller group of countries in instances where no consensus can be achieved; President Macron calls for more differentiated and flexible institutional arrangements; Chancellor Merkel seems to take a cautious approach that aims at building a consensus among all Member States.

31 Idem 29.
32 Idem 29.
34 With the entry into force of the Lisbon Treaty, the European Council became an official institution of the European Union.
Negotiations on the EU’s next Multiannual Financial Framework should have been already launched\(^\text{36}\), this being a process that will ultimately decide on the shape and size of EU finances for 2021-2027 period. Countries will have to compensate for the budget gap that will be left after the UK leaves the European Union and their reluctance to do so puts a lot of pressure on the European community. Countries such as Austria, the Netherlands, Sweden or Denmark have made no secret of their opposition to maintaining the EU’s current budget size after Brexit. Moreover, the EC proposed in March 2018 to charge a 3% levy on digital revenues of large firms like Google and Facebook, which are operating on the European market, but this proposal faced with criticism of Ireland, Nordic countries and even Germany.

As for European Union’s institutions opinion on the MFF 2021-2027, the Parliament adopted two resolutions on the next MFF, on 14 March and 30 May 2018 (one prior and one after\(^\text{37}\) the Commission proposals of 2 May 2018 on the 2021-2027 MFF), and the Parliament’s Committee on Budgets is currently preparing an *Interim report on MFF 2021-2027 — Parliament’s position in view of an agreement*, which is due to be adopted in the plenary in November 2018. On the other hand, the Council held a policy debate on the MFF for 2021 to 2027 on 18 September 2018\(^\text{38}\) and was mostly focused on ministers’ priorities for the negotiations and their views on how the EU policy priorities and European added value are reflected in the MFF proposal and the proposed allocation of funds to different policy areas. The negotiations and each institution’s priorities for the next MFF will consider all issues mentioned in their internal debates and the interests they represent.

European elections in 2019

Apart from securing internally the information that are sent to the electors (for more information, see *Disinformation and “fake news” challenge*), the European Commission sees as a big threat the news that come from outside the EU. As we have the case of US presidential election campaign, Facebook, Google and Twitter told US lawmakers that pro-Russian actors bought and published divisive ads aimed at influencing people. Therefore, the European External Action Service focuses on key messages carried in the international information space.

\(^{36}\) As it is stated in the Programme of the Austrian Presidency of the Council of the European Union 1 July – 31 December 2018, negotiations will be conducted intensively in this period. (more information about the programme is available at: https://www.eu2018.at/dam/cc/52862976-3848-403a-a38a-6aaac8bcbe34d/Programme%20of%20Austrian%20Presidency.PDF)

\(^{37}\) For example, the Parliament’s opinion was contrary to EC’s proposal, as in the resolution published after the Commission proposal on the 2021-2027 MFF, the European Parliament expressed “its disappointment about the proposed global level of the next MFF set at EUR 1,1 trillion, which represents 1,08 % of the EU-27 GNI after deducting the European Development Fund (currently 0,03 % of EU GNI outside the EU budget); underlines that this global level in terms of GNI percentage is lower in real terms than the level of the current MFF, despite the additional funding needed for new political priorities and emerging challenges for the Union; recalls that the current MFF is smaller than its predecessor (the 2007-2013 MFF) and has been shown to be inadequate to finance the Union’s pressing needs” (European Parliament (2018) European Parliament resolution of 30 May 2018 on the 2021-2027 multiannual financial framework and own resources (2018/2714(RSP)), available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2018-0226+0+DOC+PDF+V0//EN)

\(^{38}\) During the General Affairs Council of 18 September 2018, the Council welcomed the efforts for a closer partnership with Africa, completing the single market, strengthening the role of the European Union as a global player and the effort in implementing a digital tax.
In the run-up to the 2019 European elections, the consolidation of the Spitzenkandidaten-process or the double-hatted Presidency of the European Commission and the European Council are challenges that might lead to further division or strengthening of the EU. Moreover, emboldened by the success of populist role models in Italy and Austria, leading members of the two Eurosceptic groups in the Parliament have begun their work to expand their influence and influence the May 2019 elections.

Members of the European Parliament have voted to support the Spitzenkandidaten-process for the next European Parliament elections. Moreover, in a resolution on 7 February 2018, the European Parliament warns that the European Parliament will be ready to reject any candidate in the investiture procedure of the President of the Commission who was not appointed as a ‘Spitzenkandidat’ in the run-up to the European elections.

At the same time, in his address to the European Parliament on 17 January 2018, Taoiseach Leo Varadkar, the Irish Prime Minister, declared his support for the process, saying: “Let’s make permanent the Spitzenkandidat system, and democratise choosing candidates for other leading positions within the EU.” Some other EU leaders have stated their willingness to endorse the Spitzenkandidat-process for the 2019 elections, but others have reservations or are against this kind of process.

European Commission President, Jean-Claude Juncker, has reiterated the European Commission’s support for the process. The European Commission has stressed its hopes for a pan-European campaign with more visible links between national political parties and European political groups, along with televised debates between the lead candidates.

But, the biggest threat is that according to official statistics, the turnout in European elections has fallen consistently since

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39 The so-called lead candidate — or Spitzenkandidat — process was used for the first time in the appointment of Jean-Claude Juncker as the President of the European Commission back in 2014.

40 In February 2018 emerged the idea of creating a single figure at the helm of the EU, combining the functions of the President of the European Commission and the European Council, as a way to create a single leadership center at the heart of Europe.


43 European Council President Donald Tusk, a former Polish prime minister from the EPP, declared “As for the Spitzenkandidat, it was not the European Council that was the weak link in 2014. Jean-Claude Juncker was elected with 26 votes against 2 votes in the European Council, while in the Parliament he got 422 votes out of 729 votes. So it is easy to imagine the situation that it will be more difficult for the winning Spitzenkandidat to win sufficient support in the new European Parliament than in the European Council.” ([https://www.politico.eu/article/spitzenkandidat-jean-claude-juncker-race-with-no-rules-eu-leaders-brace-for-clash-over-2019-elections/](https://www.politico.eu/article/spitzenkandidat-jean-claude-juncker-race-with-no-rules-eu-leaders-brace-for-clash-over-2019-elections/))

44 Czech Prime Minister Andrej Babiš declared “Who should decide about the chief of the Commission? All member states, not somebody saying ‘ah, this is our Spitzenkandidat’ – he believes that through this process the two biggest EU economies, Germany and France, will be favoured.” ([https://www.politico.eu/article/spitzenkandidat-jean-claude-juncker-race-with-no-rules-eu-leaders-brace-for-clash-over-2019-elections/](https://www.politico.eu/article/spitzenkandidat-jean-claude-juncker-race-with-no-rules-eu-leaders-brace-for-clash-over-2019-elections/))


Inequality

Inequality is widely seen as a threat to social cohesion and the long-term prosperity of societies. The education systems have a core role to play in building a fairer society by offering equal chances to everybody, regardless of their background, to education. In the Education and Training Monitor 2017, European Commission analyses the fact that high levels of inequality can be corrosive for social cohesion and economic sustainability, concluding that ensuring equity remains a key challenge for Europe as students from disadvantaged backgrounds fare worse in educational attainment and learning outcomes than their better-off peers.47

Moreover, there is a big split both within and between European societies, in terms of gender, place of birth, education or even generation. EU policies are aimed to address inequalities this year through the European Pillar of Social Rights. The World Economic Forum have computed the Gini coefficient of income inequality and it showed that both within-country and between-countries inequalities have declined in 201648.

Migration

Migration is still a challenge on the EU agenda as there are still record levels of displacement, human suffering, or complex political uncertainties in many countries. Nowadays, migration is listed on top of European citizens’ concerns. The debate on this subject is centred in the European context on addressing the different needs and interests without forgetting about the human rights.

As the European Commission admits in 2018, migration continues to dominate much of the political agenda and achieving a sovereign, comprehensive approach to migration management remains one of the biggest challenges ahead.49

To help Member States deal with the asylum claims, while regaining full control over common European borders, and sustaining public order and security, the European Commission has proposed in 2018, through the next Multiannual Financial Framework, tripling the budget for external border management, migration and asylum (around 35 billion euro intended for this area).

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48 Darvas, Z. (2018) This is the state of inequality in Europe, available at: https://www.weforum.org/agenda/2018/05/european-income-inequality-begins-to-fall-again
Natural disasters and climate change

Climate change is still happening and is still affecting communities around the globe, across sectors, countries and individuals. The climate challenge must be integrated into national development plans and strategies as it is a challenge which increases mostly the vulnerability of developing countries, but not only. The Commission has recently made the commitment to tackle climate change and ensure a wiser use of resources as both a spur for new jobs and growth and an investment in Europe’s future.50

Security of supply in the energy field

The transition to a low-carbon economy through maintaining security of supply (for electricity, gas, oil, coal etc.) in a changing geopolitical environment remains a challenge for EU. It has to be done with a gradual diversification of Europe’s energy sources while being aware of potential new dependencies. Eurostat informs us that in 2016, the EU produced around 46 % of its own energy, while 54% was imported.51 Energy supplies are exposed to risks that include disruptions in supply mainly from countries that export fuels in EU but also extreme weather events, industrial hazards or even terrorist and hybrid threats. A joint action from MS to prevent and to manage potential crises can transform the European energy system into a more resilient one.

Terrorism

Along with immigration, terrorism is on the top of mind of European citizens. It is a challenge unlikely to diminish in the nearby future, therefore EU will continue to consolidate its counter-terrorism capabilities by investing in existing instruments and tackling this evolving phenomenon through new approaches.

The dependency of Russian energy

The EU imports a significant amount of oil, natural gas, uranium, and coal from Russia, while the European region serves as an important energy market for Russia. The Eurostat figures show that in 2016, total EU imports of solid fuels came mainly from Russia (30.2%).52

The reform of the Economic and Monetary Union

A “Deeper and fairer economic and monetary union” is one of the 10 political priorities of the Juncker Commission. The idea of reform of the Economic and Monetary Union is starting to be at the heart of the European agenda. There is a broader debate on the future of Europe and the possibility to achieve further economic integration by way of the reform of EU finances (common anti-cyclical fiscal capacity, Eurozone budget, etc.).

51 For more information, visit https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-2a.html
Ever since the “blueprint for a deep and genuine economic and monetary union”\(^{53}\) in 2012, there has been a clear commitment from Brussels towards a deeper economic integration. However, this general position was not always shared by member states or reflected in concrete actions. Subsequently, the Five Presidents’ Report in 2015 clearly presented the CE engagement towards a financial and fiscal union that could support convergence better\(^{54}\). Finally, in 2017, the Commission published a specific roadmap for deepening EMU\(^{55}\), as well as its broader vision on the future of EU Finances in the context of the multiple scenarios of integration speed\(^{56}\). In the spirit of multi-speed Europe, it could be that the deeper integration reforms will target only some of the current member states. However, this would be a dangerous approach in terms of the cohesion and the future of the EU project.

The reflection on deepening the EMU should also not be limited to economic, budgetary or financial stakes, as it also has a social dimension that needs clarifications (e.g. the social convergence needed for proper functioning of EMU; how is the social convergence going to be achieved; what about social governance of the EMU)\(^{57}\). Long-term political concerns on strengthening Europe’s economy and social framework include: ensuring security inside the EU and at its external borders, managing migration, addressing the causes and consequences of climate change, etc.

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<tr>
<th>OPPORTUNITIES FOR THE EU</th>
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<tr>
<td>Completing the EU digital single market – Digital sovereignty</td>
<td>Concluding the building of the EU digital single market is focused, as European Commission argues, on having a stronger EU cyber security agency; introducing an EU-wide cyber security certification scheme; swiftly implementing the Network and Information Systems (NIS) directive (as 64 to 75% of Europeans believe that digital technologies have a positive impact on our economy, society and quality of life, 87% of European see cybercrime as an important challenge to the internal security of the EU). For example, cyber security certification scheme was introduced by the European Commission in September 2017 and it is meant to enable the growth of the EU cyber security market. These certification schemes would take the form of rules, technical requirements and procedures. Reinforcing the cybersecurity of the tools and mechanisms underpinning Europe’s democratic systems remains a priority for EU.</td>
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<tr>
<td>Critical infrastructures</td>
<td>The damage to critical infrastructures, their destruction or disruption by different causes such as natural disasters, terrorism, criminal activity or malicious behaviour, can have a significant negative impact for the security of the entire European Union and the well-being of its citizens. As technologies with huge potential to disrupt societies by attacking networks or critical infrastructure are set to become more affordable and more accessible to a wider range of actors in the nearby future, therefore reducing the vulnerabilities of critical infrastructure and increasing their resilience are among major objectives of the EU.</td>
</tr>
<tr>
<td>Economic and Monetary Union</td>
<td>In 2019 there will be the 20th anniversary of the euro, a currency that is used daily by more than 340 million Europeans in 19 Member States. Since the crisis, the EMU was strengthened, and it has become, as the European Commission argues, more robust than ever before. The Juncker Commission has created a roadmap to deepen the EMU, and in this context, the EU leaders have agreed to complete the Banking and Capital Markets Union that promises to smooth the path towards the completion of the EMU. The instruments developed through the Banking Union, such as the European Deposit Insurance Scheme, are meant to balance the risk sharing in the entire EU and to build mechanisms for crisis management and deposit insurance, together with a deeper financial integration and a stable financial system for Member States participating in the Banking Union and in the EU as a whole.</td>
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Erasmus+ programme

The revamped Erasmus programme, the Erasmus+ set to last until 2020, doesn't just have opportunities for students, but through the merge of seven prior programmes, it has opportunities for a wide variety of individuals (studies abroad, volunteering activities, youth exchanges, traineeships) and organisations (learning mobilities for universities, training providers, think-tanks, research organisations and private businesses).

Multilateral approach to trade

Another opportunity that EU has is through the biggest trade deal ever negotiated by the European Union – the EU-Japan Economic Partnership Agreement, signed by President Junker in July 2018, which aims to create new opportunities for selling European goods and services to the fourth biggest economy in the world. This agreement creates an open trade zone covering over 600 million people and nearly a third of global Gross Domestic Product. EU’s annual exports to Japan are expected to increase by 13.2%, overall.59 EU companies are expected to benefit from reinforced international standards that will apply, for example, for cars, food and wine additives.

In a global context in which some of the largest economies in the world (e.g. USA) are developing ever more pronounced regional and bilateral approaches, the EU continuous openness to trade could be a source of competitive advantage. New opportunities could arise for exporters from EU member states whose agricultural exports will become more competitive, as US produce becomes more expensive in China.

Recent important new generation free trade agreements (i.e. covering a large set of issues beyond trade itself) that entered into force are the ones with Canada and Vietnam. Significant progress is being made also with Singapore and other ASEAN countries, as well as with Australia and New Zealand. Negotiations with China proceed on the track of investment. In addition to the existing Deep and Comprehensive Free Trade Areas (DCFTAs) with some of the Eastern Partnership countries (i.e. Georgia, Moldova and Ukraine), EU is also involved in similar negotiations with other periphery countries (i.e. Armenia, Azerbaijan, Morocco and Tunisia).60

European added value

The European Commission defines the “European added value” as the value resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone. It may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities.61

In the future multiannual financial framework (2021-2027), the

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EU added value plays an important role and it refers to the areas where the Union budget can have a bigger impact than public spending at national level could. Examples in this direction given by the European Commission can include cutting-edge research projects that bring together the best researchers from across Europe, or empowering young people and small businesses to take full advantage of the opportunities the Single Market and the digital economy offer. Using the European added value, the EC wants to rebalance the budget and to focus on areas where this added value is the highest.

A partnership with Africa is aimed to boost investment, further attract private investors, eradicating poverty, tackling discrimination and inequalities, support education and skills development for employability, as well as boost trade and improve the business climate. Together, the EU and its Member States are the world’s largest donor of development and humanitarian aid. At the present moment, EU is the largest trade partner and foreign direct investment (FDI) provider for Africa. A post 2020 partnership with Africa, the Pacific and the Caribbean will also consider the United Nations’ 2030 Agenda and the Sustainable Development Goals, apart from EU’s policies in the field. Instruments include the EU Emergency Trust Fund for Africa, EU External Investment Plan, various programmes for youth, training, governance and rule of law (RoL), as well as peace and security.

Building effective alliances in international settings, as this with Africa, will also be important to drive global action forward.

EU’s Key Partnership with Africa defines a new strategic approach towards African countries that shifts away from the donor approach based on aid, and moves closer to the investment model of the Belt and Road Initiative (BRI) developed by China. The democratic and institutional conditionalities thus fall second to promoting economic development. The vision for the coming years is to promote stability through prosperity in the region.

As it is defined at European level, the European Solidarity Corps is the new European Union initiative which creates opportunities for young people to volunteer or work in projects in their own country or abroad that benefit communities and people around Europe. The research carried out by the European Parliament in 2017 shows that participants in long-term and mobility volunteering feel that their languages skills, both in the local language as well as in English, and knowledge about and interest in other countries and cultures has increased.

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63 Idem 59, p. 126.
64 Idem 59, p. 124-127.
How to pay for Europe – New vision for EU budget post 2020

It is time for EU to agree upon the first post-Brexit multiannual financial framework and it could represent an opportunity for reform on both the revenue and the expenditure side of the EU budget, including three new types of resources: a national contribution based on the Common Consolidated Corporate Tax Base (related to EU policies on the single market and tackling tax-base erosion); a share of the revenues generated by the EU emissions trading system (related to EU policies on carbon pricing and tackling climate change) and a national contribution based on the quantity of non-recycled plastic packaging waste generated in each Member State (related to the EU’s plastic strategy and circular economy objectives). The debate on the future financing of the European Union should be closed soon and the expectations regarding the new financing system of the EU are high.

The intention of the new EC proposal for the post-2020 MFF is to improve the management of the EU budget as efficiently as possible by moving to direct and shared management for as many programs as possible. This is in order to increase European added value and avoid replacing national funds with European ones, as it happened after the crisis; this implies, among other things, a better planned succession of funding programs, and a better budget execution which, ultimately, can generate maximization of European added value. It is however necessary to increase the EU budget’s own resources. A ‘pollution tax’ should be introduced and financial transactions should be taxed. Drainage and tax avoidance should be penalized drastically; the EU budget has to be supplemented with resources gained from the fight against tax evasion and tax optimization.66

The Skills Agenda for Europe

In the field of Employment, Social Affairs & Inclusion, the European Commission has launched in 2016 the new Skills Agenda for Europe aimed towards 10 actions to make the right training, skills and support available to people in the EU. Their aim is to improve the quality and relevance of training and other ways of acquiring skills, make skills more visible and comparable and improve information and understanding of trends and patterns in demands for skills and jobs. All these would enable people make better career choices, find quality jobs and improve their life chances. In the latest State of the Union, the Skills Agenda for Europe is set as a game changer and is considered a key driver towards bringing back social fairness at the heart of Europe.67

The focus on Romania’s related challenges and opportunities will be directed towards the ones specific to the country, because some (if not all of them) of the European challenges and opportunities might be found appropriate for Romania as well. All these are linked with the European ones presented earlier and tackling the challenges and taking advantage of the opportunities is of paramount interest for Romania as to align with current European views and means of action.

### Challenges for Romania

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<tr>
<th>CHALLENGES FOR ROMANIA</th>
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<tr>
<td>Cyber-attacks</td>
<td>Even if there exists a threat on European level in this direction and the EU is taking measures to counter and minimise the risks of such attacks, ensuring a secure cyber space is also in the responsibility of states and competent authorities, private sector and civil society. For the development of the security culture of cybernetics, the most important levers are education and research, public-private partnerships and cooperation mechanisms at regional and European level. The existence of breaches in cyber security can affect institutions and companies on many levels, both financially and reputationally. An insurance against the risks in the virtual space now could protect financially against losses in case of future cyber-attacks.</td>
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<tr>
<td>Early school leaving</td>
<td>Over the last years, the Romanian authorities have taken some measures to address poor education outcomes and skill shortages by adopting relevant strategies. Some progress has been made in vocational education and training, lifelong learning and higher education but the quality of these services and their labour market relevance remain largely insufficient. After the adoption of the Strategy for Early School Leaving in 2015 and the progress observed the following year, efforts to continue implementation were modest in 2017. This is reflected in high early school leaving rates, unequal access to quality education including for the Roma and large gaps in terms of student performance all pointing to persistent hurdles. Thousands of children, 27.8% of school-aged children were no longer going to school in 2016 because their families could not afford it. The dropout rate in Romania was 18.5% in the same year, the third highest in the EU, as show the figures offered by the National Institute of Statistics Romania and the European Commission.</td>
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<tr>
<td>Economic growth in decline (and the poverty paradigm)</td>
<td>Romania’s GDP reached a post-crisis peak of 6.9% in 2017. It happened mostly because of private consumption and exports. In 2018 the GDP growth decelerated to 4.0% (y-o-</td>
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The main driver of the slowdown was a contraction in private consumption as inflation weighed more heavily on real disposable income. Another factor might be the tightening of the monetary policy. Export growth, in contrast, remained very robust in the first quarter of 2018 and outpaced the growth of imports.

The projections set the real GDP growth to decelerate to 4.1% in 2018 and 3.8% in 2019. The composition of growth is expected to become more balanced as private consumption growth tempers and investment strengthens on the back of a pick-up in the implementation of projects financed by EU funds.

Even if Romania had and is still having one of the greatest economic growth, it also has one of the highest poverty rates in the EU. For example, the share of Romanians at risk of poverty after social transfers increased from 21.6% in 2010 to 25.3% in 2016, even though the share of the at-risk population decreased from 41.5% in 2010 to 38.8% in 2016.

Healthcare system

Access to healthcare remains a key challenge in Romania, because of lack of equality of opportunities, having a negative impact on child development, workforce employability and healthy ageing, as they are presented in the Country Report Romania 2018. The Romanian health care system is still underfinanced, and in shortage of doctors and nurses. Health infrastructure and the prevalence of informal payments remain sources of concern, show the same Report.

Inequality of opportunity and social exclusion

When we are talking about inequality in Romania, we can refer here to proper education or to healthcare system for everyone, no matter the life course, age, gender, race, or class. Also, there is a high-income inequality, especially between rural and urban areas. For example, in 2015, the richest 20% of EU’s citizens have earned 5 times more than the poorest 20%. The smallest gap between the incomes of rich and poor people were recorded in the Czech Republic and Slovakia (3.5 each), while the largest one was in Romania (8.3). In the latest figures published by the European Commission, from 2017, not every country has yet updated their figures, but in the case of Romania, its situation has improved, and it is now at an income quintile share ratio of 6.5 (Bulgaria has 8.2, Czech Republic 3.4).

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Infrastructure

In 2017, National Company for Road Infrastructure Administration (CNAIR) has opened 15 km of highway, as it is reported on their website, the total length of high-speed roads from Romania reaching 748 km. Hungary has more than 1,800 km, Bulgaria over 800 km, and Poland, almost 3,500 km. This year, there are scheduled the openings of 40 km of highway. Therefore, Romania needs massive investments in infrastructure, as authorities seem immune to advice, limiting to simple promises, postponed from year to year.

In a rating based on a survey conducted by the World Economic Forum for the World Economic Forum Global Competitiveness Report, in terms of quality of railroad infrastructure and quality of roads, Romania holds the last position in EU from 2015 to 2017.  

Demographic challenges

There is an internal migration phenomenon happening in Romania, as the main cities preferred by Romanians are Timisoara, Cluj-Napoca and Iasi, which gain more and more in front of the capital. Under these circumstances, large companies will begin to expand naturally and open offices in these areas. Also related to migration, an optimistic prediction says that more Romanians working abroad will return to the country. But there are a lot to come back home, as migration of young skilled workers is still happening. In 1989, for example, Romania’s population was 23.2 million, compared to 19.8 million in 2015. Nowadays, around 3.5 million Romanians are believed to be living and working in other EU countries.

Moreover, Romania has an unfavourable demographic trend which is expected to continue in the forthcoming years. Population is aging, there is a limited internal labour mobility and the continuous emigration and brain drain have an impact on the economic growth.

Investment market

The challenges for the local capital market come from the sphere of politics and we refer here to budget expenditures that have had an irrational and unsustainable growth in the last period, which can be reflected in macroeconomic imbalances, that could lead to a decorrelation of the Bucharest Stock Exchange vs. foreign markets.

In order for Romania to grow and develop, we need more than ever a mature capital market and a proper educational system for the use of derivative products. A proper financial education is very important in order to have more investors on the Stock Exchange, now this

number being low. The Romanian capital market has made a lot of progress lately and it is desired the upgrade to emerging market status.

In the first nine months of 2018, investment expenditures, including capital expenditures as well as those related to development programs financed from domestic and foreign sources, amounted to 15.2 billion lei, with 25.7% higher than for the same period from last year.\(^76\)

Polarization

On 14 June 2017 and 15 January 2018, after the ruling party won the December 2016 elections with a thumping poll victory, two Prime Ministers left their seats. Since then, Romania has been in turmoil, with many anti-government protests that escalated on 10 August 2018, when they turned violent and more than 400 people required medical assistance.

The situation in Romania is also part of a wider political process in full swing in many democracies from Europe, especially. In an article from July of Washington Post, they argue that pluralist democratic norms are being subverted in Poland, Hungary and Romania, three EU Member States.\(^77\) But, as the situation in Hungary and Romania is still unclear and there are no steps done towards a better future for their citizens, Poland has been upgraded to the status of “developed market”.\(^78\)

Moreover, at the accession of Bulgaria and Romania to the European Union on 1 January 2007, certain weaknesses remained in both Member States in the areas of judicial reform and the fight against corruption, and a Cooperation and Verification Mechanism (CVM) was put into place to remedy these shortcomings and to regularly verify progress against specific benchmarks set for this purpose. The latest report on CVM\(^79\), from November 13, 2018, showed in the case of Romania that while it has taken some steps to implement the final 12 recommendations issued by the Commission in January 2017, in order to fulfil the CVM benchmarks, recent developments have reversed the course of progress and called into question the positive assessment made back in January 2017. This applies notably to judicial independence, judicial reform and tackling high-level corruption, and is mainly due to the legislative interventions. Therefore, the Commission added eight new recommendations to be followed immediately.

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\(^{78}\) Martin, K. (2018) Poland upgraded to developed market status by FTSE Russell, Financial Times, available at [https://www.ft.com/content/b581df88-bfde-11e8-8d55-54197280d3f7](https://www.ft.com/content/b581df88-bfde-11e8-8d55-54197280d3f7)

by Romania, in addition to twelve other recommendations formulated in the January 2017 report.

**Presidency of the Council of the European Union**

Holding for the first time the presidency of the Council of the EU, comes with great responsibilities. But, the challenges are more since these 6 months are holding a lot of events, that are meant to shape the future of EU. Time constraints, and late changes in the management team of the Romanian Delegated Ministry for European Affairs all add pressure on the exercise of this Presidency.

**Research and Innovation**

Despite Romania’s solid IT infrastructure and the rapid development of the ICT sector, Romania continues to score low on all European Innovation Scoreboard indicators, being a modest innovator, and there are no signs of improving performance. Despite increasing public funding and a dynamic start-up ecosystem, technology adoption, internationalisation and scaling-up of companies remain significant challenges.

**Regional context**

The Romanian officialities recognize that Romania is facing daily with “challenges” coming from Russia, especially in the Black Sea region and the Romanian Government try to counteract various Russian cyber-attacks and political interferences.

**Work force**

The imbalance between supply and demand of the work force is continuously increasing. There is a decline in the available Romanian labour force and there are persistent skills shortages in recent years in HoReCa, manufacturing, industry, agriculture, construction and services. These are the sectors which have hired the most foreign workers from non-EU countries, mostly coming from the Philippines, Nepal, Vietnam, India, Indonesia and Thailand.

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<tr>
<th>OPPORTUNITIES FOR ROMANIA</th>
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<tr>
<td>#EURoad2Sibiu and the presidency of the Council of the European Union</td>
<td>#EURoad2Sibiu is one of the newest and most popular hashtags in EU-affairs circles. It is used on social media when discussing the Summit in Sibiu (more exactly, the Informal Leaders’ Meeting in Sibiu will be held) that is scheduled for 9 May 2019 during the Romania’s Presidency of the European Council. The so-called “road to Sibiu”, which sought to shape the future of the European Union, on 25 March 2017 on the occasion of the 60th anniversary of the Treaties of Rome, and will come to an end in May 2019. In Sibiu everyone is waiting for a new equation that will redefine the EU. The event is much-debated and of much importance due to several reasons: it will take place six weeks after the UK’s exit from the EU and two weeks before the European Parliament elections. Moreover, the summit is meant to present the conclusion of the debate on the “future of Europe”, of EU27. As such, the Summit in Sibiu is considered a turning point for post-Brexit EU, but it also represents an important moment for the countries in the so-called “EU’s waiting room”: the Western Balkans. The event from Sibiu shouldn’t be a challenge for Romania, but an opportunity to be part of the cities where the future of the EU was and will be decided. But, if there is any slightest suspicion that the place hosting the EU Summit does not present the highest security guarantees, European leaders will not come. Therefore, the pressure put on Romania is high, but we can turn this event in our favour.</td>
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<tr>
<td>Investment market</td>
<td>There are forecasts that show an improvement on the Romanian investment market as in 2017 there have been accumulated an investment volume of just over 0.9 billion euros and there have been postponed some transactions for the current year. Therefore, experts in the field expect this year a total volume that will exceed 1 billion euros. It will be possible with better returns, macroeconomic performance and a greater availability of banks to provide funding.</td>
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<tr>
<td>MFF 2021-2027</td>
<td>Romania will benefit from a € 7 billion increase in cohesion policy funding in the forthcoming Multiannual Financial Framework 2021-2027 compared to the current financial programming period, according to a decision taken by the European Commission College. From a budget of 373 billion euros in commitments for the period 2021-2027 for cohesion, Romania would receive 30.7 billion euros, taking</td>
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Natural gas extraction in the Black Sea

Romania is expected to launch shortly natural gas extraction in the Black Sea, this enabling reducing the dependency of the Russian gas and the country could jump to the first place among European countries with the lowest dependence on energy imports. Deloitte launched a study called “The contribution of Black Sea hydrocarbon exploration and production projects to the development of the Romanian economy” where they argue that for the 2018-2040 period, the offshore gas production of Romania could be of 170 billion cubic metres (5 billion cubic metres annually). This production, first, will cover domestic use (65%) and then the surplus (35%) will be bound for export. This opportunity from the Black Sea region could compensate, in the future, for the estimated decline in onshore extraction, as the current onshore reserves are declining.

84 There are more figures in the document published by the European Commission available at https://eur-lex.europa.eu/resource.html?uri=cellar:26b02a36-6376-11e8-ab9c-01aa75ed71a1_0003.02/DOC_1&format=PDF, p.166
85 The latest data reported in July 2018 by Eurostat show Romania currently ranked third among the countries with the lowest import energy dependency rate, after Estonia and Denmark https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-2c.html
3. Council Configurations – Topical Issues and The Romanian Perspective

The Council of the European Union is a single legal entity and it represents the member states' governments. Also known informally as the EU Council, it is where national ministers from each EU country meet to adopt laws and coordinate policies, being together with the European Parliament an essential EU decision-maker.

The Council of the EU meets in 10 different “configurations”, depending on the subject being discussed. There is no hierarchy among the Council configurations87. Any of the Council’s 10 configurations can adopt an act that falls under the remit of another configuration. Therefore, with any legislative act the Council adopts no mention is made of the configuration.

Council meetings are attended by representatives from each member state at a ministerial level, therefore the participants can be ministers or state secretaries. They have the right to commit the government of their country and cast its vote. Meetings are chaired by the minister of the member state holding the 6-month Council presidency.88 The 10 Council configurations are89:

- **Agriculture and fisheries (AGRIFISH)** – adopts legislation in a number of areas related to the production of food, rural development and the management of fisheries;
- **Competitiveness (COMPET)** – works to enhance competitiveness and increase growth in the EU as it deals with four major policy areas: internal market, industry, research and innovation and space;
- **Economic and financial affairs (ECOFIN)** – is responsible for EU policy in three main areas: economic policy, taxation issues and the regulation of financial services;
- **Environment (ENVI)** – is responsible for EU environment policy, including environmental protection, prudent use of resources and the protection of human health; it also deals with international environmental issues, especially in the area of climate change;
- **Employment, social policy, health and consumer affairs (EPSCO)** – works to increase employment levels and improve living and working conditions, ensuring a high level of human health and consumer protection in the EU;
- **Education, youth, culture and sport (EYCS)** – has the role to provide a framework for cooperation between member states, for exchange of information and experience on areas of education, youth, culture and sport;
- **Foreign affairs (FAC)** – is responsible for the EU’s external action, which includes foreign policy, defence and security, trade, development cooperation and humanitarian aid;
- **General affairs (GAC)** – coordinates preparations for European Council meetings, being also responsible for a number of cross-cutting policy areas;
- **Justice and home affairs (JHA)** – develops cooperation and common policies on various cross-border issues, with the aim of building an EU-wide area of freedom, security and justice;
- **Transport, telecommunications and energy (TTE)** – works towards fulfilling EU objectives in the areas of transport, telecommunications and energy.

87 Although the General Affairs Council has a special coordination role and is responsible for institutional, administrative and horizontal matters.
88 The exception is the Foreign Affairs Council, which is usually chaired by the High Representative of the Union for Foreign Affairs and Security Policy.
The Romanian Presidency of the Council of the European Union starting with January 1, 2019, will cover a period of utmost importance for defining the Union’s future. Romania’s Presidency of the Council of the European Union will take place in a complex European and international context, its political agenda being closely connected to developments in files of particular importance at Union level. Currently, the most visible of them, besides the ordinary legislative files, include the Brexit process and the multiannual financial framework (MFF).

In order to ensure the sustained continuity of the Council’s activity, Member States holding the Presidency work together, in groups of three, called Trios. Romania will open the Presidency Trio that also includes Finland and Croatia. The coordination of procedures and processes over a 18-month period is important for the success of implementing the strategic objectives of the Council of the European Union, and, implicitly, of negotiations concerning legislative initiatives in an inter-institutional format. In this context, it is essential to ensure coordination, considering the effort to develop the Common Work Program for the Trio of Presidencies, with its priorities set by the European Council, with the political objectives set by the European Parliament and with the Work Program of the European Commission.

Throughout its mandate, the Romanian Presidency of the Council of the European Union must act as an impartial mediator, being responsible for advancing the negotiations of the Council on Union legislation, for providing the continuity of the European agenda and for the good cooperation between the Member States and the European institutions. However, in its capacity of President of the Council of the European Union, Romania will have the possibility to imprint its national vision on the strategic debates concerning the future of the European project, to directly contribute to the process for its consolidation, and to promote on the European agenda certain files that it deems important.

Romania will pursue a “citizen-centred presidency”, as it is very much focused on ensuring that the EU brings benefits to the people’s daily lives. It supports a more profound understanding of various actors’ perspectives, accounting for a more granular level of EU interventions and policies, and the extent to which they are implemented at the level of the regions, and local authorities.

Romanian Government has defined its topics of interest along four strategic lines90:

I. Converging Europe

A first target under this strategic line is to support growth and cohesion in the EU. Romania is committed to further the cohesion policy agenda, and to support those measures that promote social, territorial and economic convergence (see first section in this report for current challenges across these dimensions). In many EU member states, like in Romania, the overall economic growth has failed to affect a proportional positive change in individual benefits (e.g. creation of jobs of higher quality). As such, beyond the objectives of the cohesion policy of reduction of disparities, Romania is also committed to promote sustainable development, as well as employment and social rights.

In terms of economic competitiveness across the EU and at the level of the member states, Romania sees as a priority promoting those policies that target innovation and digitalization. The digitalization priority of the Romanian presidency is shared with those of the Bulgarian91 and Austrian92 presidencies preceding it. As such, it draws from a core strategic line that finds wide support in the Council of the EU.

91 For the priorities of the Bulgarian presidency of the Council of the EU, see here: [https://eu2018bg.bg/en/priorities](https://eu2018bg.bg/en/priorities).
Romania, like other Central and South East European countries, has gone through a fast convergence in digitalization. The region’s digital infrastructure is relatively well developed, as Central and South East European member states are almost on par with the EU15 in terms of Internet access and mobile broadband usage.

However, in order to promote economic competitiveness, Romania is committed to the development of broader connectivity across markets in general. This touches upon different sectors, and EC priorities, from the capital markets union to the energy union. Further integration through connectivity is key to bridging the divides between North and South, or West and East within the European Union.

II. A Safer Europe

As a periphery country, and one with substantial commitments to common defence measures, Romania will actively support those policies that target the strengthening of internal security, including such measures as border management (e.g. FRONTEX), legislative proposals on improving the Schengen Area security, and other current challenges, such as cyber threats.

Other topical issues under this strategic dimension will fall in line with the strategic objectives of the area of freedom, security and justice (AFSJ) as outlined in the most recent mid-term review from 2017. Romania will most likely support the development of new guidelines for the AFSJ, in accordance with the current threats the EU is facing in such areas as illegal migration, data protection or criminal behaviour, as well as the increased budgetary commitment such policies are prone to receive in the future multiannual financial framework.

III. Europe, a Stronger Global Actor

Romania is committed to promoting the consistency of the EU policy in its neighbourhood. This means on one hand maintaining the commitments towards the Western Balkans, and on the other hand strengthening the EU commitment in the Eastern Partnership (EaP) region. During the Romanian presidency, the latter will have its 10th anniversary, and as such it is timely to further the Agenda for cooperation with this region, as Romania is especially committed to the relationship with the Republic of Moldova.

Romania will also support the Common Security and Defence Policy and the efficiency of EU external action, as well the honouring of international commitments. However, the specific priorities and objectives of these themes will be defined in close cooperation with the European External Action Service (EEAS).

IV. Europe of Common Values

Last, but not least, the Romanian presidency takes on the idea of promoting a Europe of Common Values, as it refers to three pillars of the shared identity of the European project: (a) Solidarity, cohesion, equal opportunities and social justice, (b) Democracy, freedom and respect for human dignity and (c) Combating racism, xenophobia, antisemitism, intolerance and populism.

Taking into account Council’s configurations presented at the beginning of this chapter, and the topics of interest defined by the Romanian Government, in the next part of this paper, the Romanian priorities during the Presidency of the Council of the UE will be described accordingly.
### PRIORITIES FOR ROMANIA

<table>
<thead>
<tr>
<th>Description</th>
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<td>Developing the competitiveness of the Agricultural Sector</td>
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According to the “Topics of interest for the Presidency of the EU Council”[^93], Romania is committed to promoting measures that strengthen European competitiveness through innovation. Within Romania’s National Strategy for Research, Development and Innovation (SNCDI 2014-2020), and its National Competitiveness Strategy (SNC), the first domain of smart specialization defined for Romania was that of the bioeconomy. As such, it is considered to benefit from the huge potential of Romanian agriculture in Romania, in the context of a more active and growing local food industry, as well as in the context of global trends such as high demand for food. Safety and security optimization of food products, development of horticultural, forestry, zootechnical and fish sectors, or biomass and biofuel are all subdomains with high potential in Romania[^94].

While Romania has not underlined specific priorities for the agricultural sector in the context of the Presidency of the EU Council, there have been numerous public statements from governmental officials on what are the objectives that Romania has with respect to the agricultural policy in EU. One of these objectives is higher allocation for research and intervention funds in line with Romania’s specific challenges (i.e. climate change, transmission of diseases and pests).

In the agricultural field, the European Commission underlies a series of priorities with respect to research and innovation[^95]: (1) Resource management (notably soil, water and biodiversity), (2) Healthier plants and animals, (3) Integrated ecological approaches from farm to landscape level, (4) New openings for rural growth, and (5) Enhancing the human and social capital in rural areas.

Finally, in terms of the competitiveness of the agricultural holdings in Romania, there is an important


debate that will most likely develop well beyond the Austrian presidency: the capping of Pillar 1 (direct subsidies) payments. On one hand, Romania along with other member states is in favour of finding a substitute to the EC proposal of 100,000 capping of subsidies for large farmers. Much of the competitiveness of the agricultural sector in Romania resides upon the fact that such larger agricultural holdings were formed in the first place, and a fixed capping of subsidies would create disincentives for the pooling of smaller landholdings together. Currently, Romania accounts for 33.5% of all farms by number in the EU, but almost 3/4 of these are smaller than 2 ha. As such, Romania is in favour of a regressive payment scheme for large farms, and no capping on the coupled environmental schemes payments (i.e. eco-scheme and agri-environmental and climate measures). It is also in favour of supporting the marketisation of smaller holdings via innovative interventions that have proven to be successful over the past years (e.g. cooperatives, food hubs).

After approx. 20 years of transition in which the communist era forced collectivization memories started to wear off and in which market-oriented association in agriculture was almost inexistent (in 2010 less than 1% of Romanian farmers were engaged in associative entities), the agricultural cooperative sector in Romania experienced a rebirth.

Following successful private interventions which piloted the creation and development of small and medium farmers’ cooperatives through community facilitation and individualized support between 2012 and 2015, the National Rural Development Program 2014-2020 prioritized in its national measures (M. 02 Counselling, M. 16 Cooperation) but also in the implementation of its LEADER axis (Local Action Groups) the development of cooperatives and producer groups and granted additional points to individual farmers’ accessing NRDP measures if they were members of cooperatives.

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97 Eurostat, Farm indicators by agricultural area, type of farm, standard output, legal form and NUTS2 regions [ef_m_farmleg].


Between 2009 and 2013, 499 agricultural cooperatives were established and by December 2017, according to research by Romanian Center for European Policies (CRPE), a total of 1,083 agricultural cooperatives had been registered. Nevertheless, data provided by the Trade Register Office indicate that only approx. half of them had economic activity (submitted their financial documents) during the previous year. As such, Romania must further invest and design tailored public policies in order to consolidate (in quantitative and qualitative terms) the agricultural cooperative sector post 2020, as existing positive examples and growing farmers’ interest prove that it is, indeed, an instrument to increase productivity, access to market, investments and overall competitiveness of small and medium farms.

Another model currently piloted for aggregating the production of small farmers and helping them reach the market, acting also as resources center, is the food hub\textsuperscript{100}. Food Hubs, as regional facilities, have the role to aggregate, store, process, distribute, and/or market local food products at a fair price for both consumers and small farmers.\textsuperscript{101}

The „Young Farmers” program within the Common Agricultural Policy requires national authorities to set aside up to 2% of their total allocation of direct payment funding in order to offer young farmers a bonus of 25% (maximum) on their direct payments in their first five years of working in the sector. Young farmers also have priority when it comes to receiving direct payment funding from the national/regional reserve.\textsuperscript{102}

Romania has the highest number of farmers aged less than 35 in the European Union. With approximately 280,000 young farmers, Romania represents a third of this age group in European farmers\textsuperscript{103}. Furthermore, it also has the largest group of farmers aged in between 35 and 44 years of age: 609,610—again a third of this

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\textsuperscript{100} https://www.rafonline.org/en/programe/food-hub-development/.
\textsuperscript{102} Young Farmers Program, further information available here: https://ec.europa.eu/agriculture/cap-funding/young-farmers_en.
age group across the EU, and almost double the second ranked level in Poland. As such, Romania is particularly interested to support this program.

| **Reduce bureaucracy levels for PAC** | Performance indicators for direct subsidies, annual performance evaluation and FEGA monitorization constitute elements that could potentially impede the efficient programming and implementation of agricultural sector policies in Romania and other member states.

Romania will most likely support the continuation of the system of payments per surface, not per farm because of an incomplete coverage of the cadastre registry of Romanian agricultural surfaces—currently only at approximately 35% coverage. |
| **Maintain the current level of allocation for CAP in the future multiannual financial framework (MFF 2021-2027)** | “Madrid Declaration” reflects a common viewpoint of different member states (i.e. Spain, Italy, France, Portugal, Ireland, Germany, and Romania). In addition to this, on the 16th of July, ministers of agriculture of Germany and France issues a joint statement on the future of CAP, underlining the need to maintain the current level of allocations in the future MFF 2021-2027, given the ambitious environmental and climate change objectives, as well as the requirements of cross-sectorial impact (e.g. research and innovation).

According to the European Commission's impact assessments, a decrease of about 5% (current prices) or 12% (in real terms-adjusted for inflation) of the Common Agricultural Policy budget in the future funding framework compared to the current one implies a decrease in more than 8% of the average income of farmers in the European Union, with pronounced effects on certain sectors such as livestock breeders. |

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104 Idem.
### Priorities for Romania

| **European interconnection of the MS’ Productivity and Competitiveness Councils as to propose a European Competitiveness Strategy 2020-2027** | In 2016, the Council recommended the establishment of National Productivity Boards in EU and of National Competitiveness Boards within the Euro Area as to analyse developments and policies in the field of productivity and competitiveness, thereby contributing to foster ownership and implementation of the necessary reforms at the national level, and hence foster sustained economic growth and convergence and to increase ownership of the necessary reforms at the national level. The Euro Area countries had the obligation to establish them until by 20 March 2018, for the others being only a recommendation (by 20 March 2019, the Commission will prepare a progress report, on the basis of relevant information from all Member States on the implementation and the suitability of these Recommendation).

Romania could accelerate this dossier directly related to European competitiveness, given the loss of competitiveness that the EU is aware of in the global environment. |

| **Implementing a single digital market is essential for strengthening the European Union and capitalizing the opportunities brought by digitization - MS need to capitalize the benefits** | As key measures that can be taken during the Romanian Presidency are: the adoption of the Regulation on addressing geo-blocking and other forms of discrimination based on customers’ nationality, place of residence or place of establishment within the internal market (COM/2016/0289 final), the adoption of the Regulation on the EU Cybersecurity Agency (COM/2017/0477 final), the digitization increase by drawing up action plans for each MS based on DESI index (elaborated by DG CNECT). Therefore, three |

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109 The European economy loses over 2% of productivity per year due to a mismatch of skills, according to a study commissioned by the European Economic and Social Committee from 2018, available at [https://www.eesc.europa.eu/sites/default/files/files/pr_37_-_study_on_skills_mismatches_-_en.docx](https://www.eesc.europa.eu/sites/default/files/files/pr_37_-_study_on_skills_mismatches_-_en.docx)


112 The Digital Economy and Society Index (DESI) is a composite index that summarises relevant indicators on Europe’s digital performance and tracks the evolution of EU member states in digital competitiveness.
### Competitiveness (COMPET)

<table>
<thead>
<tr>
<th>Increasing the competitiveness of the European industry by increasing the degree of innovation and digitization, supporting the SME sector, achieving energy independence, increasing access to extra-community markets, reindustrialization, smart specialization and key enabling technologies (KETs)</th>
<th>All MS should benefit from the competitive advantages that are brought by innovation and key enabling technologies (KET\textsuperscript{113}) to be globally competitive. The levels of innovation and adoption of KETs vary drastically from state to state, and the Romanian presidency has to advocate, on one hand, for the development of this area, but, on the other hand, for the growth of less innovative countries. Potential actions: collaboration between the EU Council and the European Commission (DG GROW especially) to include artificial robotics and intelligence among KETs, developing a Commission Communication on the adoption of KETs in all MS and strengthening support tools to stimulate innovation in all MS.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening European space policy by developing the potential applications of Copernicus, Galileo, EGNOS, space exploration and research, ELI</td>
<td>In the context of digital economy, space plays an increasingly important role. It is an invisible infrastructure that is used to obtain and distribute data and information, which implies the emergence of new types of business models. Romania, for example, is partner in 3 pan-European projects that involve the development of state-of-the-art research facilities on its territory. The projects developed here will contribute to the evolution of knowledge and the development of relevant technologies globally. In this regard, we propose to ensure funding through research tools in the futures MFF programming period and the development of eco-innovation systems to transfer the results of these research to regional economies and the Single Market. The projects we are talking about are: Extreme Light Infrastructure - Nuclear Physics (ELI-NP), Advanced Lead Fast Reactor Demonstrator (ALFRED) and DANUBIUS-RI.</td>
</tr>
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</table>

\textsuperscript{113} The European Commission has identified 6 key enabling technologies for innovation in industry: Advanced Manufacturing, Advanced Materials, Industrial Biotechnology, Micro-Nanoelectronics, Nanotechnology and Photonics (COM (2009) 0512 final).
Strengthening the process of negotiating the terms of the EU’s free trade agreements with Mercosur, India, Australia and New Zealand

As the second largest economy in the world\textsuperscript{114}, the EU is an important actor in global trade and investment, areas that need to be further deepened to develop the competitiveness of the European economy. European prosperity depends on an open and rule-based economic system, under conditions of fair competition, which EU economic diplomacy will continue to promote. The EU is firmly committed to the promotion of open and fair trade with all its trading partners and is keen to facilitate access of EU companies and SMEs to non-EU markets, as core action in the context of current technological developments and action plans developed by other major economic players (USA, China, India, Japan etc.)\textsuperscript{115}.

Supporting Entrepreneurship and SMEs Competitiveness: moving from “Think Small First” to “Act Small First” as a mature, proactive policy, strengthening Europe to face the current challenges

10 years after its adoption, the revision of the “Small Business Act” for Europe is necessary as to move towards a new decisive phase in the political recognition of SMEs at European level (21 million small and medium-sized enterprises, 99% of enterprises in EU, with about 33 million employees) and the transition from “Think Small First” to “Act Small First”, with the definition of new actions in order to meet current challenges.

The review of the “Small Business Act” for Europe in 2019, 10 years after its adoption, is an exceptional opportunity to develop the potential of SMEs, to move to a mature, proactive, innovative and perennial policy of sustaining competitiveness of these long-term enterprises as to ensure their ability to create employment opportunities, to ensure the prosperity of local and regional authorities and to strengthen Europe in the face of current challenges.

\textsuperscript{114} According to The World Factbook, in 2017 EU was ranked second, after China and before the United States in terms of GDP (purchasing power parity), \url{https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html#ch1}

\textsuperscript{115} More details about ongoing trade negotiations: \url{http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf}
## PRIORITIES FOR ROMANIA

### Decarbonising the energy sector and ensuring the transition to a low-carbon economy at the lowest cost by favouring clean fuels

Romania considers a priority to finalize common national energy-climate change plans. An energy and climate change plan covers all sectors of activity, both in terms of CO2 emissions reductions and in terms of concrete measures to adapt to the effects of these climate changes. Thus, natural gas can play an ecologically and climate-friendly role in the energy transition to an almost completely emission-free energy and transport sector, estimated around 2050.

In this respect, it is necessary to identify policies favoring clean fuels, additional regional funding programs, precisely to ensure that the implementation of GHG reduction actions are done at minimal costs, the reforms being able to be linked to the geographic specificity and particularities of each Member State.

### Establishing clear calendars for the accelerated replacement of energy coal with low-impact energy solutions (Coal phase out)

A significant portion of the EU’s emissions comes from coal, particularly coal-fired power plants, and phasing out coal in the electricity sector is one of the most cost-effective methods to achieve emissions reductions. Reducing coal usage will also provide significant benefits in terms of air quality, health and energy security.

It is necessary to set such timetables both at European and at Member State level to support the transition to a negative energy-free future. This proposal is in line with, and supports, the existing European initiatives on climate change (such as Energy Roadmap 2050\(^\text{116}\)).

### Negotiating in the discussions on the new Common Agricultural Policy on targets for biodiversity conservation in line with the European environmental legislation

Halting the loss of biodiversity and the degradation of ecosystem services in the EU by 2020, and restoring them is one the challenges the EU has, and there are some potential actions to be done during the Romanian Presidency: linking CAP payments to Natura 2000 networks and management planning \(^\text{117}\), providing support for landowners (agricultural and forestry) in these areas (“Natura 2000 payments”); expanding the

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payments to farmers contributing to the preservation of High Nature Value\textsuperscript{118} farmlands and preserving the public benefits they deliver to the entire society.

These measures should be considered together with the central environmental authorities and biodiversity conservation organizations in order to compensate for potential income losses from the non-execution of projects / inadequate activities (with negative impact on the integrity of protected habitats and wild species) or support the continuation of traditional agricultural practices and land management. In this respect, CAP payments must not lead to the degradation of species and habitats in protected natural areas.

Reducing energy poverty and improving air quality through integrated measures, including the spread of alternative energy technologies and sources at affordable costs

The main energy source in the countryside is wood\textsuperscript{119}, used especially for heating buildings and households. An alternative must be found to support the change of heating systems, as the price of firewood has increased, seriously affecting the incomes of the population and the quality of the air. In Romania there are many forms of energy efficiency for buildings, but these technologies involve high costs and are accessible only to a limited segment of the population. There is a need for affordable financially related technology, adapted to the specific climate zone.

\textsuperscript{118} The concept of high nature value farmland refers to the causality between certain types of farming activity and corresponding environmental outcomes, including high levels of biodiversity and the presence of environmentally valuable habitats and species. High nature value farmland is therefore a key indicator for the assessment of the impact of policy interventions with respect to the preservation and enhancement of biodiversity, habitats and ecosystems dependent on agriculture and of traditional rural landscapes. (https://ec.europa.eu/eurostat/statistics-explained/index.php/Agri-environmental_indicator:_High_Nature_Value_farmland#Assessment)

\textsuperscript{119} Wood and agglomerated wood products such as pellets and briquettes provided the highest share of energy of biological origin, accounting for almost half (45%) of the EU-28’s gross inland energy consumption of renewables in 2016, according to Eurostat 2018.
PRIORITIES FOR ROMANIA | DESCRIPTION
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Advancing the negotiations for the MFF 2021-2027 | The Romanian technical position is that of a mediator in charge of expediting the negotiations on the MFF 2021-2027. The timeframe is especially sensitive under the Romanian presidency. If a political agreement is not reached until the Sibiu Summit in May 2019, the negotiations will suffer a significant delay—until after the new European Parliament, and the new European Commission take form, towards late 2019. However, given the slow advancement in negotiations under the Austrian presidency, it seems that the alternative of not reaching a final agreement is much more likely. In this context, under the Romanian Presidency, both the EC and the European Parliament will support an agreement on key issues.

The diverging perspectives of EU member states on the quantum and rules of the future MFF are made more stringent by the time constraints the negotiations are currently facing. Negotiations on the post-2020 MFF could end in mid-2019, in an optimistic scenario, or at the end of 2020, in a pessimistic scenario. In addition, due to the dissolution of the current EP and the entry into the European electoral campaign (April 2019), the negotiation period of the new MFF is in fact limited to four months.

The negotiations surrounding the various budgetary chapters of the future multiannual financial framework (MFF 2021-2027) are not strictly connected to Ecofin, but also to the other council configurations for sectorial issues, to Coreper1 and Coreper2, and finally the political decision will be taken in GAC.

There are several elements that inform and affect the budgetary negotiations for the future MFF, ranging from traditional elements of the budgetary negotiations (i.e. national priorities and interests, competing visions

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120 On its part the EC is very committed to finalizing the negotiations by the Sibiu Summit, as mentioned in the State of the Union Address on 12th of September 2018: "Member States, the European Parliament and the Commission should also have brokered an agreement in principle on the EU budget after 2020 by the time of the Sibiu Summit. This will allow us to deliver on time the policy promises we have made to citizens, notably for 12 million young people to take part in Erasmus exchanges, supporting directly 5,000 research jobs and additional 7,000 jobs in the wider economy each month, increasing spending on defence and migration management, and showing we are serious about our partnership with Africa with at least 23% increase foreseen in the future EU budget." In Potential Initiatives for Delivery by the Sibiu Summit (2018), available at: [https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-factsheet-sibiu-delivery_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-factsheet-sibiu-delivery_en.pdf).

of European institutional actors—European Commission, Council and the European Parliament)—to new elements that are specific to this MFF proposal from the European Commission. Amongst the latter category, we find: cross-national and cross-sectorial collaborations, European added value, and last, but not least, procedural aspects of implementation of funded projects (i.e. consolidated national strategies, sectorial overlaps, and conditionalities related to the Country Specific Recommendations (CSRs). All of these new elements of the future MFF programming will add complexity to the negotiations that should be concluded under the Romanian presidency, and increase the reliance on human resources with sound technical expertise.

While maintaining its neutrality, Romania will most likely attempt to moderate the bureaucratic and procedural restrictions and requirements. It faces along with other new member states, a much weaker institutional capacity of implementation complex schemes of collaboration both nationally, and internationally. As such, the total financial benefit of EU funding might be severely decreased under the new EC modus operandi proposal.

Deepening the Single Market

According to the “Topics of interest for the Presidency of the EU Council” Romania is committed to furthering the connectivity across member states, as well as supporting policies that promote innovation and digitalization. All these objectives, fall in line with the EC vision of deepening the single market.

There are three main economic objectives on the table regarding the deepening of the European Single Market: Energy Union (see TTE Council Configuration bellow), Digital Single Market (see TTE Council Configuration bellow) and the Capital Markets Union.

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122 Even these traditional elements of negotiation have become complex enough that the current programming session uses a diagnostic tool called Dynamic Actor Network Analysis (DANA) (see Dăianu et al 2018). Cognitive maps produced by the DANA model include four types of factors: (i) actions, which refer to the decisions that each actor can take (this means that the model produces a cognitive map for each participant actor in an arena of In this case, seven actors were included in the model - academia, European Funds' beneficiaries, Council, Commission, Member States that are net contributors to the EU budget, Member States that are net beneficiary from the EU budget, Parliament - and for each of them a map was created); (ii) the objectives of each actor, which refers to the purpose for which he / she is interested in making decisions; (iii) internal factors of the system, allowing actors to make causal link between actions and goals; (iv) external factors of the system that, although influencing the system, are outside the influence of actors (Dăianu et al 2018: 133).


As mentioned before in the first section of this report, the Capital Markets Union is an essential step forward for better, and faster access to capital. This is an important element of success and economic performance for both established companies and start-ups (especially those in high-growth fields such as technology).

Romania has a distinctive incentive to access broader regional capital markets, in order to reach its growth potential and build up its value added production in the IT&C sector and other fields.

The integration of new technologies of production in different economic sectors, from agriculture to energy, is reliant on the ability to finance innovation, which is done either through national budgets (shown to be insufficient in new member states), through capital markets, and (in the case of EU) through EU funding. For the latter two, the negotiations of Ecofin should take a holistic approach so as to maximise their impact on member states’ economies. A potential threat to the project of the Capital Markets Union comes from Brexit, as the UK capital market is the most developed among the member states. However eager to support the project France and Germany might be, serious commitment has to come from all member states to make this project a meaningful source of competitiveness for European businesses.

Various measures designed to support the entrepreneurial environment in EU member states should be matched with the strategy of deepening the single market integration.

**European strategic investments**

Romania has benefitted from grant-based funding for its infrastructure needs, through the EU Regional Operational Programme (POR). To the extent to which it will still be possible, Romania will most likely support the continued funding of the national needs through such financing tools. However, given the new requirements for “European Added Value” in the framework of the future MFF, it might be that a series of local investment needs remain uncovered. As such, negotiations for the available funding options will be an important topic on the agenda of periphery countries.

Building on the experience of the Juncker Plan, for the next long-term EU budget 2021-2027, the Commission...
proposes to create the InvestEU Programme, bringing EU budget financing in the form of loans and guarantees under one roof. The Commission is proposing €15.2 billion be earmarked for the InvestEU Fund. This will allow the EU budget to provide a €38 billion guarantee which will be used to support strategically important projects across the EU. By crowding in private and public investments, the Commission expects the InvestEU Fund to trigger more than €650 billion in additional investment across the EU over the 7-year period. It will support four policy areas: sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment and skills. Although this option might be a valuable source of financing the extensive investment needs of Romania, it requires however a very clear prioritization of projects, and shared programming efforts between the allocations from the national budget and outside sources such as EU structural funding.

Stronger Euro and transition support for aspiring members

Romania is currently in the process of evaluating its roadmap of adopting the euro currency. As such, it has a double vision towards the Eurozone policies and reforms: on one hand it wants a stronger Eurozone (if it is to join it in the future), but on the other hand it will most likely support proposed measures designed especially for the member states that will pursue this transition over the course of the next MFF (e.g. Reform Support Programme and Investment Stabilisation Function). These programmes have been significantly enhanced in terms of overall budget (e.g. 25 bil. EUR for the Reform Support Programme) and could constitute an important resource for Romania’s transition to ERM II and the adoption of the single currency.

Another relevant topic for the Eurozone is the reform of the European Stability Mechanism (ESM), comprising of a review of the ESM toolkit (in particular the effectiveness of precautionary instruments and their eligibility criteria), and the role of the ESM in crisis management and prevention. However, given that this instrument is specifically targeting the Eurogroup, and


an agreement is expected to be reached by the end of 2018, it is unlikely that it will overlap with the Romanian presidency.\(^\text{127}\)

The European Commission is clearly committed to enhancing the international role of the euro, as Euro is the second most used reserve currency in the world with 60 countries linking their currencies to it in one way or another.\(^\text{128}\)

The strengthening of the euro currency in the international market is not only designed with regards to the Eurozone, but also most importantly with regards to the potential economic gains derived from trade. This is especially important in the context in which the international trade system is going through a change of paradigm, shifting from a general consensus in support of multilateralism, to a much narrower regional or bilateral approach. The EU reacts to this change of paradigm by negotiating a series of new generation free trade agreements (FTAs):\(^\text{129}\) EU-Canada, EU-Japan, EU-Vietnam, EU-Singapore, EU-Mexico, EU-Australia and New Zealand etc.


\(^{128}\) The practical considerations for underlying the international role of the euro are linked to specific transactional losses, such as in the case of the energy sector, where according to the European Commission “it does not make sense that Europe pays for 80% of our energy imports – worth €300 billion a year – in US dollars when only roughly 2% of them come from the United States”, in Potential Initiatives for Delivery by the Sibiu Summit (2018), available at: https://ec.europa.eu/commission/sites/beta-political/files/soteu2018-factsheet-sibiu-delivery_en.pdf.

\(^{129}\) ‘New generation’ free trade agreements (FTAs) are complex agreements that cover both trade, as well as investments, along with a series of other horizontal chapters such as legislative harmonization across different economic sectors.
### Employment, Social Policy, Health and Consumer Affairs (EPSCO)

<table>
<thead>
<tr>
<th>PRIORITIES FOR ROMANIA</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>A new vision for cancer control in the European Union</td>
<td>Cancer is the greatest challenge of humanity. In Europe, it is estimated that 4 million people will be diagnosed with cancer in 2018 and nearly 2 million deaths will be due to this disease, according to World Health Organization. Despite remarkable scientific progress, many cancers still do not have effective treatment solutions. At the same time, too many preventive cancers are not avoided in all Member States. The European Union has set itself the objective of reducing the incidence of cancer by 15% by 2020, as it is estimated that one-third of cancers are preventable. In order to achieve its objective and to pursue the fight against cancer, the European Union must promote a structured, coordinated and continuous approach to the cancer problem at all levels, taking into account the means of control promoted by Member States, as well as the European institutional mechanisms, using ICT and “healthy innovation”. The European Union needs a modern (short, medium and long-term) vision for cancer control, in the context of the launch of the Cancer Moonshot initiative (now known under the name “Cancer Breakthroughs 2020”) in the US in January 2016, with the aim “to end cancer as we know it”. The exercise of the Presidency of the Council of the European Union in 2019 may give Romania the chance to assert its leadership in the fight against cancer. In addition, selecting cancer as a priority of the Presidency would allow for extensive communication with the general public, cancer being a well-known issue, but also a subject to which society has fears and expectations from the authorities.</td>
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Creating a regulatory framework that maintains intellectual property at national level, with licensing at European level

As announced in the Single Market Strategy and Digital Single Market Strategy, in 2017 the Commission adopted a comprehensive package of measures to further improve the application and enforcement of intellectual property rights, and to step up the fight against counterfeiting and piracy. It is necessary to use intellectual property in local production processes, so that its competitiveness does not deepen the disparities but benefit from the European Union’s contextual collaboration to support communities in generating added value.

Creating the European Labour Authority

The European Labour Authority was announced in September 2017 by President Juncker in his 2017 State of the European Union address to ensure that EU rules on labour mobility be enforced in a fair, simple and effective way. Following consultations and an impact assessment, a legislative proposal was presented on 13 March 2018.

Given the nature of the future of employment, it is expected that labour market mobility will increase as well as flexible forms of work - together with the regulatory challenges that the Union will have to face.

From such a priority, Romania would thus benefit from active involvement, also by putting forward a solid proposal to host this authority in Bucharest.

eHealth - an engine for innovation and economic development in the European Union

The European Commission is working to provide its citizens access to safe and top quality digital services in health and care.

Member States are confronted with common difficulties in increasing the prevalence of illness and limited financial resources to ensure the sustainability of their health systems. Meanwhile, modern societies are increasingly computerized, with people relying on digital tools, both in private life and in their professional lives. New opportunities arise from the use of data by health professionals as well as from increasing patients’ access to information. Technological and socio-economic innovations can improve the quality of life, reduce economic constraints and create new economic and trade opportunities in Europe.

Transforming eHealth in a priority for the EU can help accelerate scientific research, personalised medicine,
Employment, Social Policy, Health and Consumer Affairs (EPSCO)

Elaboration of viral hepatitis in the EU by 2030 and the fight against tuberculosis

The fight against contagious diseases such as hepatitis, HIV and tuberculosis can only be successful if taken together by all European countries. During the Council Presidency, Romania can make a major and decisive change in this fight. In 2017, the European Parliament adopted a resolution stressing the importance of an effective diagnosis / treatment / care for cases of HIV/AIDS, Tuberculosis and Hepatitis C for all categories of population, including for vulnerable groups. Moreover, in 2018, the European Commission published a document on combating HIV/AIDS, viral hepatitis and tuberculosis.

This proposal is part of “Europe of common values” priority by promoting respect for human dignity, equal opportunities and non-discrimination, in terms of supporting universal access to prevention, testing and treatment of contagious diseases.

Equal access to European standards of care and treatment to support health promotion and disease prevention for all European citizens

At EU's level, healthcare systems have traditionally been characterized by extensive regulatory interventions. National and regional authorities are mainly involved in ensuring equal access, sustainability, quality, equity and efficiency of healthcare for citizens living in their territory. Given the multitude of different actors involved, Member States have an obligation to align with the general principles and general objectives for all stakeholders to ensure stable cooperation of all actors in the system.

“The rising burden of chronic disease and multimorbidity requires tackling the complexity and fragmentation of services” is noted in the report “State of Health in the EU” prepared by the European Commission at the end of 2017.

The EU and the Member States should encourage the integration of innovation into the health system by promoting better and safer healthcare, promoting

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<th><strong>health, preventing illness and protecting citizens</strong> against cross-border health threats. In this context, it is essential that the EU and its Member States commit themselves to stepping up cooperation in addressing preventive diseases both in terms of interventions to improve lifestyle choices and to treat the most prevalent chronic diseases as early as possible, but also to improve survival and quality of life.</th>
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<tr>
<td><strong>Gender equality</strong></td>
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<td><strong>Investments in intangible assets</strong></td>
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<td><strong>Maternal health</strong></td>
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of less than 70 maternal deaths per 100,000 live births by 2030\textsuperscript{138}. In this regard, the Malta Declaration signed on 21 March 2017 under the Maltese Presidency of the Council of the EU recommends the development of a funding mechanism to ensure the development of a minimum package of services for women belonging to vulnerable groups.

Romania should involve in proposing actions as regards to access to a package of maternity care services equal and fair for all women regardless of status or nationality and remove barriers by aligning maternal health policies to all other relevant policies.

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<tr>
<th>Preservation and positioning of human work in the context of Digital Industrial Revolution 4.0</th>
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<tr>
<td>Digital industrial revolution, as an irreversible phenomenon, implies in addition to technological advances and a series of social risks and losses, obviously and already measured being the loss of a large number of jobs (through robotization, the introduction of artificial intelligence etc.), but also the transformation of work (new forms of work, a certain precariousness of contracts, the proliferation of part-time work or a temporary work agent etc.). In this context, there are needed reflections and actions to address these unattractive consequences for the active, available or potential, workforce, for young people in education, so that they can better respond to technical and economic developments, and, at the same time, be less exposed to social risks.</td>
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<tr>
<th>Promoting mental health and well-being, preventing mental disorders and improving the care and social inclusion of people with mental disorders in Europe</th>
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<tr>
<td>Mental health issues are a major reason for productive human capital losses. Studies and mental health surveys conducted at EU level have shown that there are substantial costs associated with mental effects in the workplace, such as greater absenteeism, or significantly reduced incomes among those with mental disorders, which have become the main cause of persons receiving invalidity benefits. Financial costs associated with mental disorders, including direct and indirect medical costs through care and low productivity, amount to over € 450 billion euro per year in the EU. At EU level, mental health occupies a special place. For example, developed by the European Commission as a tool to facilitate and encourage the implementation of</td>
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\textsuperscript{138} More information on the Sustainable Development Goals at https://www.un.org/sustainabledevelopment/health/
the European Framework for Action on Mental Health and Well-being in Europe launched in 2015, the “EU-Compass for Action on Mental Health and Wellbeing” is a web-based mechanism used to collect, exchange and analyse information on policy and stakeholder activities in mental health. Between 2015-2018 the Compass will communicate information on the European Framework for Action on Mental Health and Well-being. It will monitor the mental health and wellbeing policies and activities of EU countries and non-governmental stakeholders.\(^{139}\)

| Recognition of qualifications in the European space | Although Western European countries are struggling to attract the workforce from Eastern Europe, the qualifications obtained by workers in Central and Eastern Europe are not recognized, so they are classified as unqualified workers (the vast majority) in the country of destination or are required to pay (from own funds or at the expense of the employer) re-qualification in the country of destination (language barriers do that re-qualification is only possible in rare cases).

The priority for Romania is to obtain an agreement from all other MS on the recognition of qualifications obtained by workers in Central and Eastern Europe and their placement in the countries of destination according to their qualifications. |

| Restructuring the European citizenship so that it is no longer linked to national citizenship in order to be granted temporary refugee status | In the current “refugee crisis”, the legal protection of refugees represents an important challenge all over Europe.

Such a proposal to disconnect European citizenship from national citizenship should be one of the objectives of a wider process of integration, giving every citizen of the Union the confirmation of the EU’s fundamental aspirations for respect, solidarity and common identity. It also aims at facilitating and including these people in the labour market, which will reduce the risk of poverty, which will act also as an impetus for social inclusion, as well as respect for immigrants’ right to preserve their own identity. |

| Resuming and intensifying negotiations with Member States for | In 2008, the European Commission presented a proposal for a directive on implementing the principle |

\(^{139}\) More information about the Compass are available at [https://ec.europa.eu/health/non_communicable_diseases/mental_health/eu_compass_en](https://ec.europa.eu/health/non_communicable_diseases/mental_health/eu_compass_en)
the adoption of the Horizontal Anti-Discrimination Directive

of equal treatment outside the labour market, irrespective of age, disability, sexual orientation or religious belief, which aims at extending protection against discrimination through a horizontal approach. However, as unanimity is required in the Council, the draft has remained blocked at that stage since then. In its 2018 report, the European Agency for Fundamental Rights (FRA) recommends that the EU legislator should continue its efforts for the adoption of the Directive to end the current artificial hierarchy of grounds and ensure that the EU offers comprehensive protection against discrimination. The adoption of the Directive would also help addressing multiple discrimination.

Currently, the European Union offers protection against direct and indirect discrimination on various criteria. Some directives prohibit discrimination on the grounds of race and ethnicity (2000/43/EC), gender (2006/54/EC) and equality of treatment in employment (2000/78/EC). They offer different grades of protection depending on the criterion of discrimination and the scope of application (employment, goods and services, social security, education), which has the unwanted effect of creating a hierarchy on equality criteria. To remedy this, the European Commission has prepared an Equal Treatment Directive (known as the Horizontal Anti-Discrimination Directive) and proposed it in July 2008 to ensure legal clarity, consistency and legal coherence by sending a clear message: all the criteria of discrimination must be treated equally and with the same seriousness. The adoption of the Directive would also help addressing multiple discrimination.

Social exclusion in Romania and Europe

In 2016, there were 118.0 million people in the EU-28 who lived in households at risk of poverty or social exclusion, equivalent to 23.5% of the entire population. The phenomenon affects various social categories, such as young people aged 18-24, 30.6% being at risk of poverty or social exclusion, another affected category are children, 26.4% of those under 18 being exposed to this risk, women are more affected than men of social exclusion or poverty, with the difference being 1.9% at European level.

One of the reasons for choosing this issue is the

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importance the European Union attaches to social exclusion and poverty in the Europe 2020 strategy, where a priority objective for the social pillar is the reduction from 120 million Europeans at risk of poverty or social exclusion, at 20 million, but also the key concepts behind it: smart growth, sustainable growth and inclusive growth.  

In 2016, in Romania, 38.8% of the population was at risk of poverty or social exclusion, being the second most high-risk country in the European Union after Bulgaria. The percentage of children at risk of poverty or social exclusion is very high, 49.2%. According to Eurostat, 50% of Romanians suffered in 2016 from material and social deprivation, Romania being the country with the largest share of the population in this situation. Considering the situation in Romania and the European Union, the issue of social exclusion must be a priority for Romania’s agenda in the context of holding the presidency of the Council in 2019.

The European Accessibility Act aims to improve the functioning of the internal market for accessible products and services by removing barriers created by divergent legislation. This will facilitate the work of companies and will bring benefits for persons with disabilities and elderly people in the EU. It is the most important dossier in the area of disability and should be treated as such, not only postponed (it is very clear that the act will not be ratified during the Romanian presidency for many reasons, the main being the lobby of big corporations and which is related to high costs) but Romania needs to come up with at least two concrete proposals to bring the Accessibility Act one step ahead of the form it will receive at the end of the Austrian presidency.

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143 In order to achieve this, the European Commission proposes a system of indicators to be met by the Member States: 75% of people aged 20–64 to be in work, 3% of the EU’s GDP to be invested in R&D, rates of early school leavers below 10%, at least 40% of people aged 30–34 having completed higher education, at least 20 million fewer people in – or at risk of – poverty/social exclusion, and greenhouse gas emissions 20% lower than 1990 levels, 20% of energy coming from renewables, 20% increase in energy efficiency. (Europe 2020 Strategy, available at http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%2007%20-%20Europe%202020%20-%20%2EN%20version.pdf)


**PRIORITIES FOR ROMANIA** | **DESCRIPTION**
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**Access to equal opportunities for vulnerable groups** | The Pillar of Social Rights is about delivering new and more effective rights for citizens. It builds upon 20 key principles, structured around three categories: equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. The EU has to be more involved in reducing development gaps between urban and rural areas, especially in terms of educational, volunteering, vocational and cultural opportunities. Moreover, campaigns against racism can be organized in this context, international conferences to ameliorate race hatred towards minorities and refugees, cultural events that combat stereotypes and prejudices against disadvantaged groups.

**Creating a European area for education and lifelong learning, focusing on training, especially for future jobs** | “The Fourth Industrial Revolution is interacting with other socio-economic and demographic factors to create a perfect storm of business model change in all industries, resulting in major disruptions to labour markets. New categories of jobs will emerge, partly or wholly displacing others. The skill sets required in both old and new occupations will change in most industries and transform how and where people work. It may also affect female and male workers differently and transform the dynamics of the industry gender gap.” is said in the World Economic Forum Report about The Future of Jobs. In line with the Leaders’ Agenda on Education and Culture (November 2017) when it was launched a reflection on the Future of Learning to respond to future trends and the digital revolution, including Artificial Intelligence, prioritizing this dimension is an essential component of the EU Strategy post 2020 - impacting the EU’s global competitiveness.

**Europe of Common Values – youth and culture related issues enhanced** | The subject related to “Young people and the evolution of the European Union” is necessary given the importance of supporting the European project by young people for its sustainability as well as the fact that as time passes, young people do not have the

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experience of acquiring a growing part of their rights and freedoms which they enjoy as EU citizens. Thus, the Union must ensure that it responds to the needs of young people in each generation, involves them in decision-making and that they are aware of the benefits of EU membership for themselves and the communities they live in.

**European initiative for the competitiveness of young people**

In the White paper on the future of Europe, it is stated at page 9 that for the first time in European history “there is a real risk that the generation of today's young adults ends up less well-off than their parents”. The action plan starts from connecting young people to industry 4.0 through education, RDI, entrepreneurship, mobility, digital and technological literacy, access to science and technology, health, human rights etc.

Changes brought by technological development will create jobs that are currently inexistent. Therefore, the Romanian Presidency must promote an agenda focused on the preparation of the European labour force in the context of technological challenges as a mean to fight unemployment, lack of skilled labour or the inefficiency of European education systems.

**European Joint Initiative / Tripartite Interaction Platform (Public - Economic Environment - Social Policy Generators) to identify optimal formulas to improve access to training and employment**

It is important to maintain and retain the idea of Adult Vocational Training as an integral part of the priority “Education and training for employment”. The idea of multi-level social action needs to be promoted, all the more so since at the moment it seems that the only target group are the "young people", an extremely important target group, but not enough for an optimally integrated system of “education + training + employment” which allows an efficient and socially just response to the priorities and changes that the labour market undergoes, especially in the context of digitization and the industrial revolution 4.0.

**European Solidarity Corps**

Romania should promote during its Presidency the idea to follow on with the European Solidarity Corps, but also to propose and support the emergence of youth employment related targets, the inclusion of a dedicated dimension dedicated to the VET system, with a focus on dual learning, and the allocation of a distinct  


148 Information about the European Solidarity Corps on https://europa.eu/youth/solidarity_en
Increasing European cohesion, a condition for advancing integration on common grounds

Data from the “Employment and Social Development in Europe” report released by the European Union in February 2018 show a gap of 11 percentage points between the youth unemployment rate and adults\(^{149}\), and also a higher exposure to poverty, followed by a lag behind in terms of well-being towards other generations\(^{150}\). Thus, the EU and the MS must respond to the challenge of developing young people’s ability to adapt to changes in the economy, to remain active and involved in society also when they do not have a job. Given the gaps in other categories, their problems cannot be addressed only by general interventions, but distinct, targeted measures are needed.

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### Priorities for Romania

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<th>Neighbourhood policy</th>
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<td>According to the “Topics of interest for the Presidency of the EU Council”[^151], Romania is committed to promoting the consistency of the EU policy in its neighbourhood. This means on one hand maintaining the commitments towards the Western Balkans made under the Bulgarian[^152] and Austrian presidencies, and on the other hand strengthening the EU commitment in the Eastern Partnership (EaP) region. During the Romanian presidency, the latter will have its 10th anniversary, and as such it is timely to further the Agenda for cooperation with this region. From the set of countries that signed the Association Agreement (i.e. Georgia, Ukraine, and the Republic of Moldova), Romania is especially committed to the relationship with the Republic of Moldova. In the spirit of promoting stability and prosperity in the region, priority topics in Romania’s perspective will be the digital economy, business and possibly transportation. One of the main newly proposed instruments for EU external action is the Neighbourhood, Development and International Cooperation Instrument (NDICI). It will be funded with approximately €89.2 billions and will consist of three pillars: (1) geographic pillar, with particular focus on the Neighbourhood area and Sub-Saharan Africa[^153], (2) thematic pillar which will complement the geographic pillar through support for human rights and democracy, civil society, stability and peace, and (3) rapid response pillar which will allow the EU to swiftly respond to crises, as well as to support conflict prevention, strengthen the resilience of states, societies, communities and individuals, the linking of humanitarian aid and development action, as well as early action to address other foreign policy objectives.[^154] Romania has been on of the key actors in its strategic neighbourhood in terms of supply know how, and...</td>
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[^153]: will be considerably increased to jointly address global challenges such as human development including gender equality, climate change, environmental protection, migration and food security.

contributing to EU or own-budget technical assistance programmes in neighbouring countries. It has focused most prominently on the Republic of Moldova for obvious reasons, but it has also deployed a number of international aid programmes in the Balkans and Ukraine. One of Romania’s main contributions has been in the field of experience exchange in anti-corruption, and security activities. Both the Eastern Periphery countries, and well as the Balkans suffer from weak institutional capacity, and the potential reforms to promote ethical behavior and good practices are often better benchmarked against EU member states from CEE that have had similar institutional experiences.

Romania supports the efforts of economic diplomacy with the signatories of the Association Agreement, to further the progress achieved through the DCFTAs. While the Eastern Partnership Business Forum is currently organized under the Austrian Presidency, at the end of 2018, it is possible that the Eastern Partnership Political Summit will take place during the Romanian Presidency. The vision for the future of the EaP should begin to be discussed, as (in some countries more than others) there is already a good track record along the lines of trade, administration and democratic processes.

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<tr>
<th>EU’s External Investment Plan and Alliance for Sustainable Investment and Jobs between Europe and Africa.</th>
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<tr>
<td>The EU’s External Investment Plan will encourage investment in EU partner countries in Africa and the EU Neighbourhood region. It will promote inclusive growth, job creation and sustainable development and, through this, tackle some of the root causes of irregular migration. The ministers will discuss the next steps concerning the operationalisation of the External Investment Plan, including the European Fund for Sustainable Development.</td>
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<tr>
<td>The External Investment Plan (EIP) was adopted in September 2017 to help boost investment in partner countries in Africa and the European Neighbourhood. Given that it aims to: contribute to UN’s sustainable development</td>
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goals (SDG), contribute to jobs and growth, and to unblock bottlenecks to private investment by addressing the risks. In doing so, the External Investment Plan (EIP) aims to tackle some of the root causes of migration. The While Romania does not have a very high exposure on migration issues, it is very much engaged in promoting the sustainable development goals, and would probably continue to support this strategic approach towards Africa.

In the latest State of the Union speech, president Juncker proposed a more extensive approach in the form of the Alliance for Sustainable Investment and Jobs between Europe and Africa that aims to create up to 10 million jobs in Africa in the next 5 years, and to increase the European-African trade flows.

### PRIORITIES FOR ROMANIA | DESCRIPTION
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**Migration, Asylum Policy and External Boarders** | The Romanian presidency will most likely align itself to most of the Austrian presidency assumed priorities regarding the current migration crisis in the EU. Some progress has been made so far, as by the end of 2017, irregular arrivals on the Central Mediterranean route were down by 67%[^161].

In terms of Home Affairs it will support current initiatives regarding the strengthening of EU’s external borders FRONTEX (i.e. the EU’s border and coast guard agency) by adopting a broader mandate to meet new security challenges, as well as additional staffing of 10,000 corps by 2020[^162]. Romanian is also likely to support any efforts with regards to the advancement of the asylum policy, as well as the body of the European Asylum Agency. However, in the past, Romania’s attitude towards burden-sharing approaches to the migration crisis has been reserved in the context in which it is not yet in the Schengen Area. It is also with respect to Romania’s desire to join the Schengen Area that it will support all efforts to consolidate the management of EU’s external borders.


In the foreseeable future, there are several actions that should yield new regulations in this field. On one hand, there is currently an ongoing process of defining what it means to counter the financing of terrorist framework[^163]. Efforts to combat terrorism in general and terrorist financing in particular draw on the financial information collected under Anti-money laundering (AML) regimes and combine it with other reporting streams, including intelligence collection and law-enforcement investigations.[^164]


the other hand, there is a pending proposal for a Regulation on preventing the dissemination of terrorist content online. By measure of potential threats Romania has much smaller stakes with regards to the counter-terrorist regulation, yet it is very much engaged in such European efforts given its position as a boarder country. The form the new regulations will take in practice is very important for all member states, especially if it is to ensue effective and timely implementation at national and operational level.

Cross-borderer access to e-information

The Council, along with the European Commission support the implementation of measure meant to ensure effective and quick mechanisms of collection and use of e-evidence. In a meeting in June, the Council was supportive of a common approach at EU level.

According to national consultations, Romania might pursue involvement in the finalization of the revision procedure of Regulation (EC) (EC) No 1393/2007 of the European Parliament and of the Council of 13 November 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents) and repealing Regulation (EC) No 1348/2000 to pursue the simplification of procedures for the transmission of court documents to a party with their normal place of residence or domicile in a Member State other than that in which the dispute is proceeding, with the possibility that those acts may be transmitted directly to the party and the party to the court.

Romania is also likely to support the insertion of an objective whereby the digitization of cross-border operations also includes references to public procurement by including relevant data (e.g. certificates, contracts, support documents, etc.) that can be used by contracting authorities throughout the European Union to verify the reasons exclusion of the economic, financial and technical capacity of each of the bidding economic operators as provided for in Directive 2014/24 / EU on public procurement and repealing Directive 2004/18 / EC.

168 Idem.
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<th>PRIORITIES FOR ROMANIA</th>
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<td>Cyber security</td>
<td>This is one of the key areas in which Romania has a high level of expertise, both in public and private sectors. The Presidency can represent the opportunity to strengthen this area at EU level as an essential component in building a resilient society, both in terms of the Union’s competences (complementary to foreign and defence policy, and the Digital Single Market strategy respectively), and of positioning Romania as a regional pole of excellence / specialization in this field.</td>
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<td>Decarbonising the energy sector and ensuring the transition to a low-carbon economy</td>
<td>Completion of the dossier Clean Energy for All Europeans will take place at the threshold of the Romanian Presidency at the Council of the European Union. By doing so, the EU has committed itself to reducing greenhouse gas emissions by at least 40% by 2030\textsuperscript{169}. In this respect, the main goal of the package is the transition to clean energy, which will obviously imply changing European energy markets.</td>
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<td>Digital Single Market</td>
<td>It is approached as one of the key EU strategies. However, it is still necessary to maintain and prioritize the digital sector and related policies for the long term, so that the EU has the necessary skills to act for global growth and competitiveness. At the same time, in addition to the Single Market’s economic dimension, there is an increased need to emphasize the digital society as a major element, contributing to the European vision on citizens’ rights in the new digital era - by creating a space of reflection on topics such as digital citizenship, ethical implications on artificial intelligence, access to the Internet and information as a universal right, the right to education and work in the fourth industrial revolution etc.</td>
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<tr>
<th><strong>Diversifying energy transport routes and increasing interconnectivity</strong></th>
<th>The dependence on oligopolistic sources of energy and natural gas transport routes is a vulnerability for the national, regional and European energy sector. Since Romania is one of the relatively weakly interconnected members of the EU in the energy field, it is important to support this priority when holding the presidency of the Council. In this context, Romania should promote increased investment to grow the interconnection capacity across EU Member States. Some useful tools in this respect, which would improve the investment framework for interconnections, are the Projects of Common Interest (PCIs)¹⁷⁰ proposed by the European Commission. Diversifying natural gas supply routes is a measure to increase the energy security of countries in South-East Europe. Particularly important is the establishment of a regional and European interconnected energy network to ensure the development of competitive energy prices.</th>
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<tr>
<td><strong>E-governance</strong></td>
<td>As a prerequisite for the sustainable development of all societies and a mandatory dimension in exploiting the opportunities offered by the fourth industrial revolution, E-governance is needed also in the EU. In this respect, it is necessary to maintain and develop this priority on the European agenda, starting from a horizontal approach and with implications for all areas (health, transportation, education etc.), by creating instruments both at EU level, but also by offering personalized support for each MS. Among the elements covered by this theme, there has to be mentioned: supporting the digitization process and increasing the capacity of public institutions in the implementation of IT systems, ensuring the interoperability of systems, creating unique access points for citizens and transparency of public fundings.</td>
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Increasing energy efficiency

Energy efficiency is a way to address the issues of energy-saving, local pollution and climate change, as well as increased energy security. Intelligently implemented, energy efficiency measures can make a significant contribution to addressing the challenges of energy accessibility and energy poverty.

As the Romanian energy sector is generally obsolete and inefficient from a technical and economic point of view, this issue should be considered a priority during the Romanian Presidency. Moreover, Romania’s energy intensity is still almost double from the European average.

Promoting digitization of energy networks

Digital technologies offer new opportunities on energy markets, for actors willing and able to adopt innovation. For companies and end-users to take advantage of digitization in the energy sector, a regulatory framework is needed to ensure that existing operators can adapt their business models, that start-ups and technology companies are attracted by the energy sector and that there are real incentives for suppliers.

Romania has the opportunity to promote the digitization of energy networks, given the remarkable development of the IT sector.

Reducing energy poverty and protecting the vulnerable consumer

At EU level, at least 50 million people strive to pay their bills on time and ensure the proper heating, cooling and illumination of their homes\(^{171}\). Reducing energy poverty will mean reducing public health spending, decreasing pollution and lowering greenhouse gas emissions, and increasing productivity and economic activity.

The EU does not currently have a unified legal and administrative framework in addressing energy poverty. Romania can make an important contribution to the prioritization of this issue on the agenda of the “Clean Energy for All Europeans” legislative package and the recent launch of the EU Energy Poverty Observatory\(^{172}\).

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\(^{172}\) The EU Energy Poverty Observatory (EPOV) is an exciting new initiative by the European Commission to help Member States in their efforts to combat energy poverty. It exists to improve the measuring, monitoring and sharing of knowledge and best practice on energy poverty. https://www.energypoverty.eu/
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<th><strong>Replacement of energy from fossil sources with renewable energy sources</strong></th>
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To reach the targets of the Paris Agreement, the use of fossil fuels must be halved by 2030. Romania has a high potential for producing renewable energy, from a multitude of sources: hydro, wind, solar, geothermal, biomass. It also has the potential to benefit economically from the industrial transition to the production of clean energy generation and consumption technologies. Therefore, initiatives in this direction should be submitted by Romania during the Presidency.
4. Conclusions

Currently, the European Union is facing both structural and contextual challenges. On the structural side, there is an ample need and to reform and bring the European project to a new dimension. Striking the right balance between subsidiarity and a greater role for the European Union on the world stage would be a difficult enough task without the current divergence of opinion between and within member states.

On the contextual side, there are imminent issues on the leaders’ agenda including the unprecedented Brexit, problems related to migration, security and cyberdefense, and last but not least the construction of a MFF that wants to enhance the European Added Value without imposing additional burdens on member states. The upcoming European elections make consensus even harder to reach.

This paper has tried to map 3 dimensions of the current context in which Romania will assume the rotating Presidency of the Council of the European Union. Firstly, it has provided a canvas of the political, economic, social and technological environment of the European Union. As it is first and foremost a common market, it is useful to have such a market diagnostic of the EU at present time. Complex issues necessitate innovative solutions, and we provide an inventory of potential remedies to current issues in this first section of the paper.

Secondly, it looks at the challenges and opportunities that the EU is facing in general, and Romania in particular. As mentioned before, we find that the EU to be challenged by Brexit, cybersecurity, fake news, diverging visions at national level and between institutional actors, the turmoil related to the upcoming European elections, climate change, energy dependency and terrorism. With respect to opportunities, the EU can look ahead to completing its digital market, furthering the EMU, new trade negotiations that consolidate its multilateral approach, developing projects with specific European added value, and developing a new partnership with Africa and its immediate peripheries.

For the specific case of Romania, national constraints are likely to inform the agenda the Romanian Presidency of the Council of the EU. Romania’s main challenges arise from development factors (e.g. poor infrastructure and healthcare system, early school leaving, brain drain), as well as political instability (e.g. conflict between the Presidency and the Parliament, numerous changes in the Government including the designated portfolios for the Romanian Presidency of the Council of the EU). Its opportunities are linked to the way Romania will manage major EU landmark negotiations in the near future (i.e. rotating Presidency of the Council of the EU, or the negotiations for the future MFF).

The final section of this paper covers the topical priorities Romania might hold across the various Council Configurations. While there are topics that are of primary interest to it, such as the cohesion or agricultural policy, other major themes will be very important as well for strategic reasons and their relevance to major partners in the EU. The latter category includes the General Affairs Council recurring topics, such as Brexit and the future MFF. Another interesting set of topical issues are those regarding migration, security and cyberthreats, as these are not in particular challenging for Romania, but very important politically for member states such as France or Germany. Moving forward as an honest broker with the targeted policies in these sensitive sectors would bring political capital to Romania. However, Romania’s performance in this role will be severely constrained by the calendar and the little time left for negotiations before the European elections.
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About the Authors

Clara Volintiru is Associate Professor in the Department of International Business and Economics (REI), at the Bucharest University of Economic Studies (ASE). She graduated a PhD from the London School of Economics and Political Science (LSE) and has been involved in various international research projects in the field of behavioural studies, good governance, informal exchanges and political economy. She has been a consultant for international organizations such as the World Bank, European Commission, Eurofound, Committee of Regions, Partnership for Research in International Affairs and Development (PRIAD). Her recent publications appeared with Oxford University Press, in *European Political Science Review*, *Eastern European Politics*, or *Research & Politics*. Synthetic versions of her work are available on such online platforms as Forbes, EUROPP, IPI Global Observatory, Emerging Europe, Global Policy or Huffington Post.

Maria-Floriana Popescu is currently working as University Assistant at the Bucharest University of Economics Studies – Faculty of International Business and Economics. She is currently involved in teaching activities, having seminars on subjects such as European Economic Integration, International Commodities Exchanges, International Negotiation, International Marketing etc. At the same time, Maria-Floriana has published and presented more than 10 articles in international journals from Romania and abroad; she is also co-author of the book named “Commodity Exchanges - Commercial Markets”. In 2015, Maria-Floriana was awarded for outstanding results obtained in the scientific research carried out within the project “Performance and Excellence in Doctoral and Postdoctoral Research in Economics in Romania” carried out between June 2014 and May 2015. Between October 2015 and August 2016, Maria followed a traineeship in the European Commission Representation in Romania as an economic assistant of the European Semester Officer.

Disclaimer

The views expressed in this publication are those of the authors and do not necessarily correspond to those of any official institution, although the paper is based on formal documents and statements. This publication seeks to provide a larger context and discussion base for the upcoming Romanian Presidency of the Council of the EU, the challenges and opportunities that lie ahead. We hope it will be a useful companion to public officials, as well as the general public.