

## Pre-Summit Analysis

When EU leaders meet on Thursday and Friday this week, expectations are high that they will not only discuss but also take a number of decisions related to key topics on the agenda: the establishment of a Single Resolution Mechanism, the introduction of contractual agreements, the prospects for the EU's Common Security and Defence Policy, the Union's reaction to recent developments in Ukraine, the accession prospects for Serbia and Albania, and the future of the European External Action Service.

### ***Banking union and contractual agreements***

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During the Summit, EU leaders will deal with two key issues related to a further deepening of Economic and Monetary Union (EMU): the establishment of a Single Resolution Mechanism (SRM) as the second main pillar of a future banking union and the introduction of so-called "contractual agreements" (reform contracts) between individual Member States and the EU/Commission supported by funds provided through new "solidarity mechanisms". The political agreement between EU governments on the SRM is an indispensable move in the right direction. However, the deal is likely to be very complex and there are severe doubts about the future operability of the compromise in practice. In more general terms, the banking union is necessary, but it will not be sufficient to boost lending in crisis countries. Concrete action is needed, for example, through the provision of an EU-wide insurance scheme to cover excessive political and economic risks in the Member States hit hardest by the crisis. Regarding contractual agreements, EU leaders will agree on the main features of the new instrument. But key questions related, for example, to the volume of financial support provided through the solidarity mechanisms still remain open and will have to be solved at a later point in time (Spring 2014).

Further recommendations and analysis:

[\*The bank credit crisis and its impact on growth\*](#)  
[\*A summit of little substance\*](#)  
[\*Strategic options for the future of Europe\*](#)

### ***European defence***

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After five years of almost exclusive emphasis on economic 'crisis-management', European leaders will – at last – address the core political issues of the EU's Common Security and Defence Policy (CSDP) and Europe's overall performance as a key 'security provider'. Top-level attention is essential: while the global strategic landscape is characterized by high volatility and unpredictability, the impact of fiscal austerity on defence budgets could condemn Europe to a slow but relentless 'de-militarization', with potentially far-reaching implications for protecting its interests and values around the world. Against this background, EU leaders will address the effectiveness, visibility and impact of CSDP, development of capabilities and Europe's defence industry, based on a year-long preparatory process led by EU bodies and institutions. However, the Summit is unlikely to yield any major breakthroughs. Indeed, despite some encouraging progress on the EU's 'comprehensive approach' to external crises, the launch of embryonic capability projects and a few supporting measures to improve defence market integration and industrial competitiveness, national capitals will be reluctant to address the underlying strategic, political and budgetary prerequisites of stronger European defence integration. European leaders ought to use the Summit to deliver a credible political message in support of CSDP, and mark the start of a follow-up mechanism to be reviewed periodically.

Further recommendations and analysis:

[Will the December Summit provide a coup de théâtre in European defence?](#)  
[Beyond the 'guns or butter' dilemma – the December European Council and the future of the European defence industry](#)

## **Ukraine**

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The European Union and its members need to provide orientation regarding the future of EU-Ukraine relations. Since 21 November, following the decision of the Ukrainian authorities to suspend the signature of an Association Agreement including a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, hundreds of thousands of Ukrainians have gone to the streets of Kyiv and other cities around the country. While the protests started as an upshot of this decision, they have consequently become about much more than the EU – they are about a struggle for freedom. Ukrainians are fed up with corrupt leadership, weak, extractive and intransparent state institutions, excessive Russian influence, and a decision-making process that, more often than not, ignores ordinary citizens. Today, Ukraine remains in a fragile situation, with no clarity about what will happen next, both in terms of the country's future relationship with the EU and its internal situation within the country. With tensions escalating and increasing numbers of radical activists, including the Brotherhood (Bratstvo), heading up the crowds, the climate of confrontation is escalating and there are growing fears that a major bloody conflict could take place.

Further recommendations and analysis:

[Ukraine's European integration: between mayhem and opportunity](#)

## **EU Enlargement**

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European Council meetings are important appointments also for the countries aspiring to join the Union, and Member States have been dosing their stick and carrots carefully and with severity. Serbia and Albania were expecting answers. On 16 December, Catherine Ashton presented her report on the implementation of the historic Agreement reached last April between Serbia and Kosovo. The process of implementing the Agreement is moving forward sufficiently, if painfully, in Northern Kosovo, to recommend starting talks with Serbia. On 17 December, the General Affairs Council (GAC) spent many hours discussing the decisions to be confirmed at the European Council – to convene the intergovernmental conference in January 2014. Contentious issues have been the extent to which Serbia's accession talks should be conditioned by its progress in normalising its relations with Kosovo, what 'full' or 'comprehensive' normalisation are supposed to mean – opting for the compromise on the milder 'comprehensive' adjective – and whether the negotiating framework should include a legally binding commitment for Serbia to recognise Kosovo. The latter document will be approved at the European Council, as it raises controversies in the EU Member States which do not recognise Kosovo. Instead, Albania's hopes of securing candidate status were dashed in the GAC by some Member States which are skeptical of the depth of the reform carried out during the past months. The onus passes on to the Greek EU Council Presidency, when the Member States will reconvene in June to evaluate the consolidation of Albania's reforms, especially in fighting corruption and organised crime.

Further recommendations and analysis:

[EU enlargement to the Balkans: shaken, not stirred](#)  
[Risky tactics and bad examples: EU enlargement decisions postponed](#)  
[The enlargement of the European Union](#)

## ***The European External Action Service***

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The GAC Conclusions on the European External Action Service review presented by the High Representative Catherine Ashton last July confirm that the EEAS is to remain a 'building site' for the years to come. The Council agreed on Ashton's short-term recommendations on the internal functioning of the Service, on strengthening integrated approaches in CSDP and crisis management, on improving cooperation with the Commission through a Memorandum of Understanding, on reviewing the mandate of EU Special Representatives, on cooperation between EU Delegations and national embassies, and on exploring the possible development of a role of EU Delegations in consular activities. But the Council refrained from addressing the key political question of whether the HR/VP should have a deputy and postponed any reflection on strengthening the Service to the next High Representative and institutional leaders. So further changes can be expected, but not before 2015. These decisions confirm the new appreciation Member States have shown towards Catherine Ashton, strengthened by her recent successes in Iran, Serbia-Kosovo, as much as the low level of ambition that European capitals have for the EU's role in global affairs.

Further recommendations and analysis:

[\*The European External Action Service and national diplomacies\*](#)  
[\*Equipping the European Union for the 21<sup>st</sup> century\*](#)

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