

AT A GLANCE: EU MEMBER STATES STILL FAR FROM AN AGREEMENT ON DIGITAL SERVICES TAX – EUROPEAN PARLIAMENT RELEASES FIRST FORECAST FOR SEAT PROJECTIONS IN NEXT ELECTIONS – EUROPEAN PARLIAMENT'S INDUSTRY COMMITTEE ADOPTS REPORT ON CYBERSECURITY COMPETENCE CENTRES – EU INSTITUTIONS ADOPT INITIATIVES ON ARTIFICIAL INTELLIGENCE

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GLOSSARY

COUNCIL OF THE EU: Co-legislator, made up of representatives from Member State Governments. Has a six-month rotating presidency, currently held by Romania until the end of June 2019.

MEP: Member of the European Parliament, a co-legislator within the EU that is made up of representatives from political parties throughout Member States.

COMMITTEE: Members of the European Parliament are divided up among 20 specialized standing committees. These committees instruct proposals through the adoption of reports, propose amendments to Plenary and appoint a negotiation team to conduct negotiations with the Council on EU legislation.

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DIGITAL TAX

EU Member States still far from an agreement on digital services tax



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In February 2019, discussions on the digital tax proposal showed that positions of Member States are still far apart and an agreement in March 2019 seems increasingly unlikely. A **compromise text** was circulated by the Council Presidency, mostly including changes to provisions regarding the place of taxation. The document reflects the change in scope, proposed in December 2018, to only cover digital advertising revenue, stating that its subject matter is to establish "the common system of a digital advertising tax ('DAT') on the revenues resulting from the provision of digital advertising services". It is worth noting that this includes "revenues received in relation to the sale of user data connected to the targeted advertising".

According to reports based on Council officials, the discussions simply consisted of Member States repeating their positions, with another official commenting that the file is "dead", while another added that "There is no situation where you can reconcile the opinions of France, Italy, Spain and Austria" with the likes of "Ireland, Sweden and Denmark," as there is "absolutely no overlapping position".

The difficulties in reaching a common position have also created scepticism over the EU's chances of coming up with a common position in the context of the work done at the Organisation for Economic Co-operation and Development (OECD) on the taxation of the digital economy.

(Source: [Politico Pro + Interel](#))

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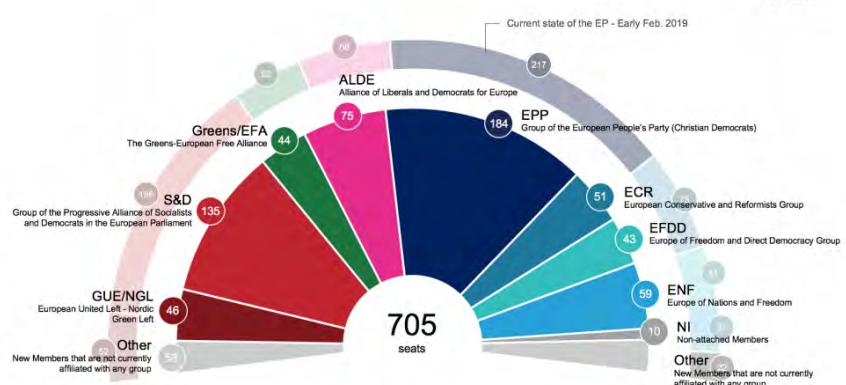
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EUROPEAN ELECTIONS

European Parliament releases first forecast for seat projections in next elections

Overall early-February seat projections

06/02/2019



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The European Parliament released its **first seat projections** in early February 2019, which revealed some data on the political trends ahead of the elections.

According to the projection, there will be a rise of the populists and nationalists from the Eurosceptic right, which will presumably secure 4 out of 5 biggest national delegations in the Parliament. The German CDU will be the largest party, in principle, with 29 MEPs (down 5 on 2014) but closely followed by Italian Lega Norte (27), Italian 5 Star Movement (22), Polish Law & Justice (22) and Le Pen's National Rally (21). No Socialist delegation gets close, with the largest national delegation forecast to be the Spanish on 16 closely followed by the Germans (15) and Italians (15) who lose respectively 12 and 16 seats.

Despite this trend, the 3 main pro-integration parties remain on course to form a majority. In the 2014 mandate, the European People's Party (EPP), the Progressive Alliance of Socialists and Democrats (S&D) and the Alliance of Liberals and Democrats for Europe (ALDE) group formed 62% of the Parliament, a figure that is set to fall to 58% if we include the French En Marche (LREM). No other majority to the right or left seems likely and if the pro-European Greens are added to the picture, a comfortable majority should be found to counter extreme-end forces. The dynamic between the big three groups is set to change, with EPP and in particular the S&D registering major losses (3 and 6% respectively) while ALDE/LREM jump from 9 to 13%. This should ensure greater parity between the three groups and gives the latter a strong hand in demanding top EU jobs. The days of the Parliament's presidency being shared between EPP and S&D could be over.

The data also confirms the huge turnover of MEPs expected this May 2019, which is likely to be above the traditional 50%. The figure will vary greatly between Member States and between political groups. Germany, for example, which has released most of its lists, shows that the Socialists and CDU have given sitting MEPs the most winnable places. In comparison, the Alternative for Germany (AfD) and Liberals have put forward almost completely new teams. This will have an impact when it comes to the allocation of top jobs and new reports, which traditionally have gone to the returning and experienced MEPs while newcomers take time to reinforce

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their position and influence within the Parliament.

Given that the EPP/S&D/ALDE are expected to drive the European Parliament's programme, the huge number of Italian and French MEPs outside these groups will reduce their national influence. Adding together national MEPs sitting in the EPP, S&D and ALDE, the Germans again come on top (55 MEPs) but followed by the Spanish (43) and French (36) with the Romanians (28) above the Polish and Italians.

(Source: European Parliament + Interel)

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The European Parliament Committee on Industry, Research and Energy (ITRE) voted on 19 February 2019 on their report on the Cybersecurity Competence Centre proposal.

MEPs want the Competence Centre to provide cybersecurity knowledge and technical assistance to the public sector and call on industries to refer to ICT products, processes and services and all other industrial and technological products and processes solutions in which cybersecurity is to be embedded. In particular, the Competence Centre should facilitate the deployment of dynamic enterprise-level solutions focused on building capabilities of entire organisations, including people, processes and technology, in order to effectively protect the organizations against constantly changing cyber threats.

Other tasks of the Competence Centre will include the stimulation of cybersecurity research, development and the uptake of Union cybersecurity products and holistic processes throughout the entire innovation cycle, by, inter alia, public authorities the industry and the market. The text also explicitly states that bringing together stakeholders to ensure long-term cooperation on developing and implementing cybersecurity products and processes, including pooling and sharing of resources and information regarding such products and processes will be deemed essential.

Another point of interest refers to monitoring reports of vulnerabilities discovered by the Cybersecurity Competence Community. These reports will aim at facilitating the disclosure of vulnerabilities, the development of patches, fixes and solutions, and their distribution.

In terms of next steps, ITRE's report will be made available in the coming days and the Parliament Plenary will also have to approve it. Member States are still discussing the proposal in the Council and are not expected to reach a General Approach before the European Elections in May 2019.

(Source: Interel)

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The Council of EU and the European Parliament adopted in February 2019 **conclusions** and an **own initiative report**, respectively, aiming at strengthening the EU's position on AI as well as calling for a coordinated and comprehensive plan to develop strategies targeting all economic sectors.

On the Council's side, EU Member States' conclusions addressed the **coordinated plan** presented by the European Commission last December 2018, which is intended to foster the development and use of AI "made in Europe".

These conclusions lay out EU countries' policy recommendations in the field of AI and include a set of calls to better coordinate action at EU, national and regional levels, increase investment, review existing legislation, develop AI national strategies, increase collaboration between industry and academia, ensure broad access to AI-on-demand services, create European data spaces, develop strong AI capacities, build up AI labs, develop ethics guidelines or establish cyber security requirements for AI.

Meanwhile, the own initiative report from the European Parliament was more specific in calling for "a comprehensive European industrial policy on artificial intelligence and robotics". The report covers AI and labour, malicious use and fundamental rights, research and development, investments, social acceptance of and responsibility for innovation and conditions supporting the development of AI, such as connectivity, cloud computing, data accessibility and high-performance computing.

It also includes sector-specific references (public sector, health, energy, transport, agriculture and food chain, cybersecurity and SMEs) and sets out a desirable legal framework for AI and robotics, including an internal market for AI; personal data and privacy; liability; consumer protection and empowerment; and IP rights. Finally, it covers ethical aspects (human-centric technology, ethical-by-design, limits to the autonomy of decision-making for AI and robotics; transparency, bias and explainability), while concluding with a description of governance mechanism to

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be put in place at the EU and international levels.

Neither initiative is legally binding, but they are likely to feed into the formulation of AI policy by the European Commission. In terms of next steps, there are several dates to consider in the coming months that will be related to AI. On 9 April 2019, the final ethics guidelines on trustworthy AI will be published (see draft [here](#)) by the Commission. Later in May 2019, the European Commission will also release some recommendations on future challenges related to AI and guidance on Product Liability Directive in light of AI and emerging technologies. In the end of February, the Commission is also expected to release its study on the labour market implications of AI.

([Source: Interel](#))

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