



EU Facts Update: developments in the EU (July 2009)

EU POLITICS AND INSTITUTIONS

Irish Prime Minister says Ireland will back EU's Lisbon Treaty: Brian Cowen said Ireland's EU membership "provided stability" during the economic crisis and that he was "convinced that people will answer positively". Ireland rejected the Lisbon Treaty in a 2008 referendum, but is holding a second vote on 2nd October after a series of guarantees were added. Ireland's government, the 2 main opposition groups, the Irish Congress of Trade Unions and the Irish Farmers Association all back the treaty.

Tony Blair confirmed as UK candidate for EU presidency, after UK Europe Minister Glenys Kinnock made it clear that Mr Blair has the blessing of the British government. The new post - President of the European Council - is designed to raise the EU's profile internationally, but the announcement was criticised because the position will only exist if the Lisbon Treaty is ratified. EU officials fear a backlash from Irish voters caused by the implication that a 'yes' result in the second Lisbon vote is being taken for granted.

British Conservatives forced to surrender leadership of new EU Parliament grouping: Polish MEP Michal Kaminski will now lead the European Conservatives and Reformists (ECR) group, although the British Conservatives have substantially more deputies than Poland. Two British Conservatives were forced to stand aside after one Conservative MEP (Edward McMillan-Scott) rebelled by running for one of the 14 vice-president posts of the Parliament as an independent candidate - against the wishes of David Cameron. Kaminski had been the ECR's candidate for vice-president, but thanks to McMillan-Scott, he did not get the job - greatly angering the Polish. McMillan-Scott was thrown out of the Conservative Party and the ECR. The situation is deeply embarrassing for the Tories, because Mr Kaminski and his party, which has been criticised for its anti-gay stance, will now be the public face of the new European Conservatives and Reformists group.

The EU parliament opening was accompanied by a flag-raising and rendition of the EU's anthem - despite these symbols being scrapped with the failed EU Constitution. The presence of *Eurocorps* troops also sparked criticism as they are seen as a symbol of EU federalism, particularly in the context of the coming referendum on the Lisbon Treaty in Ireland, where military neutrality has been a stumbling block.

Jerzy Buzek, a polish MEP of the European People's Party (EPP) elected European Parliament president after the EPP and European Socialists agreed to allow each party a president for two-and-a-half years. The President chairs Parliamentary sessions, represents Parliament at summit meetings and international events, and has their own cabinet. The role is largely ceremonial, but is a matter of great pride for Poland, the first Eastern European state to gain a big job in the EU.

British National Party (BNP) MEPs isolated in the European Parliament: after failing to join a Eurogroup. It was also announced that the 2 BNP MEPs elected in the UK in June 2009 would be excluded from mainstream socialising and contact with other British MEPs.

Commission President decision put on hold: Leaders of the European Parliament's political groups delayed naming the date of a vote on Manuel Barroso's continuing as EU Commission President until 10th September. He has the unanimous support of heads of EU states and governments. Sweden, current holder of the EU Council presidency, is keen to reappoint him as soon as possible, arguing that in times of crisis, the EU needs strong leadership. MEPs from the Socialist and Liberal groups want any decision to wait until after the Lisbon Treaty referendum in Ireland, in October. If MEPs were to elect the new Commission president now, they could end up nominating the remaining college of EU commissioners under a different legal framework; the existing Nice Treaty elects the president by simple majority, while an absolute majority is required under the proposed Lisbon Treaty.

France's influence in European Parliament behind that of Germany and the UK, according to the European Institute for Participative Democracy in Bucharest. Committee chairmanships are allocated proportional to party size, without taking national identity into account. A Brussels-based EU affairs consultancy claimed that sharing of posts is "decent" in this parliament, but experts said France was only given top positions in less influential committees. Furthermore, not one of the 14 vice-presidents of the Parliament are French. Nonetheless, this loss of influence may be compensated by the fact that many French MEPs lead political groupings - Joseph Daul (head of the EPP) and Daniel Cohn-Bendit (co-president of the Greens), for example.

EU Vote Turnout marred by political cynicism: a survey by Eurobarometer, the EU's polling organisation, has said. Almost 1/3 of respondents said they do not trust or are not satisfied with politics in general. Only 2% said they did not know about the elections, while 53% admitted they had enough information to decide against 42% claiming to lack the relevant facts.

ENLARGEMENT

Icelandic Parliament votes to begin EU accession talks: The Social-Democratic led Icelandic government wants EU membership and euro adoption as a way out of the economic crisis. The negotiations may stumble over fisheries (39% of Icelandic exports) and the need to convince the electorate; a successful bid would be put to referendum, but a poll in May suggested 38.6% are against EU membership. Holland has said Iceland must repay €1.3 billion of debt caused by the 2008 bank collapse before talks begin. Britain, which is owed €2.6 billion, is no longer making this condition. Iceland is already a part of the European Economic Area (EEA).

- Last year, Iceland received a \$10 billion financial rescue package led by the International Monetary Fund (IMF).
- It wishes to join the euro and may seek exemptions from the Maastricht Treaty, usually requiring 2 years in the European Exchange Rate Mechanism (ERM) to test currency stability. However, tourism has increased recently thanks to the favourable exchange rate of the krona, which has fallen against the euro.
- There are signs of recovery: the government has launched three new banks; aluminium production has reached record levels; unemployment at 9.1% is actually lower than the eurozone average of 9.5%, and appears to be stabilising much earlier; and it appears that Iceland's economy will shrink less than Ireland's, with recovery coming sooner.

Turkey says Western prejudice is delaying EU entry: A State Minister said Turkey's accession process had been delayed due to anti-Muslim prejudice and warned that rejecting Turkey's bid would send a negative message to Muslims worldwide. Meanwhile, the President of Cyprus urged Turkey to change its stance on Cyprus, for the sake of both it and Turkey's EU aspirations. He said that settling the problem depends on Turkey, whose troops have occupied Cyprus' northern part since 1974, and claimed that the Turkish side continue to submit proposals which are outside the agreed framework: a united federal republic, with the rights of both communities and its citizens safeguarded.

EU urged to back Balkans' EU membership drive or risk instability: Sweden's foreign minister said the EU risks losing credibility and contributing to political instability in the Balkans unless it draws the region's states closer to their goal of EU membership. To compensate, EU Foreign Ministers restated their "full support for the European perspective of the Western Balkans" and promised to recognise Albania's membership application soon. Enlargement Commissioner Olli Rehn also highlighted the EU visa free travel to be in place in Montenegro, Macedonia and Serbia as of January 2010. Nonetheless, Greek foreign ministers said that Greece would veto starting accession talks with Macedonia unless the country changed its name, which is also the name of a Greek province, and Slovenia blocked the opening of another negotiating chapter with Croatia amid an ongoing dispute over their shared maritime borders.

EU ECONOMY

Denmark, Ireland and Finland have highest prices: Eurostat, the EU statistics agency, revealed that these three nations have the highest overall prices for consumer goods. The largest differences were for food, alcohol and tobacco, and were attributed to widely different taxes.

Pilot group calls for change in EU rules: The European Cockpit Association, a group of pilots' unions with 38,000 members, criticised the EU for failing to act on the recommendations that cuts in flying hours are needed. Last year, a panel of aviation experts and scientists concluded that EU rules are insufficient to adequately protect against safety risks posed by pilot fatigue. Meanwhile, the Association of European Airlines has lobbied against the new rules, arguing that the study was scientifically flawed. The new limitations would significantly raise operational costs for airlines.

Concern over new EU consumer rights plans: A cross-party committee of UK peers said British shoppers could lose out under plans to create a Europe-wide charter of consumer rights, since UK consumer laws are already stronger than those in most other EU nations.

EU Commission approves state aid to iconic Gdansk shipyard: The Polish Government won approval to allocate €251 million of state aid to the shipyard, which is seen as a symbol of the fight against communism. Gdansk shipyard has benefited since 2002 from various aid measures, such as capital injection, guarantees, loans and tax write-offs. The yard was privatised in 2007, and the Commission said that the owners' restructuring plan would be financed to a large extent from private resources.

Lithuania's economy fell 22% in the second quarter of 2009, and may shrink by as much as 6% this year, making it the worst performing economy in the EU.

ENERGY

Nabucco gas pipe deal signed: On the 13th of July, the prime ministers of Turkey, Bulgaria, Romania, Hungary and Austria signed an agreement aiming to give the go ahead for a new natural gas pipeline across their territories, linking Europe to gas sources in the Caspian Sea region and in the Middle East. The EU supports the new pipeline. Europe receives one fourth of its natural gas from Gazprom, Russia's largest company, 80% of which passes through the Ukraine; price disputes led to the shutting off of gas supplies in January 2006 and 2009. Construction is expected to begin in 2011, with the pipe in operation by 2014. It is expected to cost €9bn. However, two potential suppliers - Azerbaijan and Turkmenistan - recently signed deals with Russia and China. This means that Iraq and Iran will remain strategically important to Nabucco. Meanwhile, the project's rival, Russia's South Stream project, has the support of Italy, Serbia, Bulgaria and Greece.

AGRICULTURE AND FISHERIES

Canada settles crop trade dispute: leading to it dropping its six-year complaint at the World Trade Organisation (WTO) over European restrictions on imports of Genetically Modified (GM) food. After separate complaints in 2003 from Argentina, Canada and the US, the trade body ruled that from 1984-2004 Europe's modes of handling GM food imports were effectively a ban on GM products and illegal under the trade agreement.

Production of biodiesel rose by more than 35% in the EU in 2008 and capacity will grow again this year, although half the plants are idle due to poor demand. Biodiesel is the main biofuel by far made in the EU bloc - it produced 7.76 million tonnes last year, and the EU global market share is close to 65%. Meanwhile, under the recently adopted Renewables Directive, the EU may seek to produce a legal framework for algae biofuels, after Shell and ExxonMobil announced they would pour millions into research on the technology. It is hoped it can avoid the problems associated with intensive biofuel cultivation - criticised for driving up food prices and putting biodiversity at risk.

TRADE

Seals and visas threaten EU-Canada rift: Canada decided to impose visas on Czech citizens, due to a surge in Czech asylum applications. The EU has ruled out a reaction before the Commission puts forward a legal analysis in September. Prague has called for fellow member states to show "reciprocity" by re-introducing visas against Canada, but Germany, France and the UK could face harsh consequences in terms of trade if they did so. Meanwhile the EU decided to ban seal product imports due to animal welfare concerns, but Canada - which culls about 300,000 seals off its east coast each year - said the EU's decision is unscientific, planning to challenge it at the WTO.

EU hauliers take France to court over blockades: the UK Federation of Small Businesses made a formal complaint to the European Commission against the French government for allegedly failing to prevent fishermen from blocking ports in France in April 2009. They claim the blockades brought hundreds of small business to the brink of bankruptcy and breach EU treaties, and that France should have compensated UK haulage firms for the disruption, because the blockades restrict free movement of goods, freedom of establishment and freedom to provide services - which member states have the responsibility to secure within their territory. The FSB also suggested that disruptions jeopardise efforts to comply with the European Working Time directive, since truck drivers are allowed to be on the road for a maximum of 9 hours per day - a restriction which includes time taken in traffic jams.

NON-EU STATES

EU urges Iran to resolve standoff over its contested nuclear programme, giving Iran a few months to find a diplomatic resolution. The Swedish Foreign Minister's comment was the EU's first mention of a rough deadline for additional sanctions against Iran, putting the bloc in synch with Washington, which had said a week before that the opportunity for action would not remain open indefinitely - Barack Obama gave Tehran until September to show progress on scaling back its nuclear ambitions.

Visa-free travel: The Ukraine is currently negotiating visa-free travel with the EU, after the EU approved visa-free travel for Macedonia, Serbia and Montenegro. Of these, it says Macedonia has already met all of the necessary conditions. Restrictions are expected to be lifted by the start of next year; conditions include introducing biometric passports and strengthening border controls.