



## EU FACTS UPDATE: Developments in the EU (June 2009)

### 18<sup>th</sup>-19<sup>th</sup> June EU COUNCIL SUMMIT:

Heads of State and Governments from the EU's 27 member states agreed on:

**New financial supervision within the EU:** The summit established 2 new organisations aiming to prevent future crises in EU financial markets:

1. **European Systemic Risk Board:** to assess potential threats to financial stability
2. **European System of Financial Supervisors:** to protect small firms and consumers

The June EU Summit also drafted a Directive which set borrowing limits and emphasised transparency. Whilst French President Nicolas Sarkozy and German Chancellor Angela Merkel argued for more “real European regulation of the financial sector”, there was opposition to the EU’s proposals, for example in the UK, Shadow Chancellor George Osborne, warned “the EU risks rushing into ill-considered future regulation”.

**Member States’ Leaders agreed not to change the Lisbon Treaty:** but they agreed a series of ‘guarantees’ for Ireland before the country holds a second referendum on the Lisbon Treaty (the Irish people voted ‘No’ to the Lisbon Treaty at a referendum in June 2008). The second referendum is likely to take place in Ireland on 2<sup>nd</sup> October. A new ‘*Yes to Lisbon*’ campaign for the second referendum will feature Irish celebrities. Ahead of the second referendum, Ireland wanted specific guarantees on:

1. **Ethical issues**
2. **Ireland’s neutral status**, which could be compromised by any unified EU foreign policy.
3. **Tax Sovereignty** - This third guarantee will apply to all EU member states, ensuring that national governments - rather than the EU - control levels of taxation.

Ireland’s ‘guarantees’ will be added to the Lisbon Treaty when it comes into force (when all EU member states have ratified it). The EU Council insisted that the guarantees ‘clarify’ but ‘do not change’ either the content or the application of the Lisbon Treaty; changing the text of the treaty would mean that all the EU states which have already signed it (23 of 27) would have to re-ratify it. However Patricia McKenna, a former Member of the European Parliament (MEP) called the process a “ludicrous charade”.

### EU ECONOMY

**Unemployment in the eurozone rose to 9.2%** in June, the highest level in nearly 10 years

**EU Stimulus Package:** EU governments will provide approx. 5% of GDP (€600 billion) for an EU stimulus package in 2009-10. The European Central Bank (ECB) will pay €442 billion in 1-year loans to 1,121 banks in the eurozone. In June, the ECB charged a record-low interest rate (1%) due to the global economic crisis.

**11 EU member states are now subject to the EU’s ‘Excessive Deficit Procedure’**, which sets deadlines for countries to reduce their budget deficit to the EU maximum of 3% of GDP. Eurozone countries can be fined if they fail to meet their deadline: *Hungary’s* deadline (given in 2004) is this year, while those for *Poland, Romania, Lithuania, Malta, France, Ireland, Greece, Spain* and *The UK* are all within the next 5 years. *Latvia’s* deadline remains undecided because it may receive a further loan (€1.2 billion) from the International Monetary Fund (IMF) to save its failing economy. Latvia received a €7.5 billion loan last year. 9 EU member states have entered the EU’s Deficit Procedure in 2009; before this year, the largest number in any one year was 7 in 2004. 20 member states are expected to enter the procedure by the time of the 2009 autumn budgetary reports.

The EU might ask the International Monetary Fund (IMF) to help to pay Ukraine's gas bill to avoid another energy crisis (in January 2009, price disputes led Russia to reduce its European exports by 60%). The Ukraine needs nearly €3 billion to stockpile Russian gas for the winter, and €425 million to pay for its monthly consumption by 7 July.

EU Competition Commissioner, Neelie Kroes, said the EU will not threaten EU banks with bankruptcy to force them to accept state aid (funding from their national government). However, the EU Commission has drafted stringent 'restructuring guidelines' for failing banks and it is focussing on getting UK banks off state aid as soon as possible. Commissioner Kroes called for a new responsible culture in banking to replace risk-taking.

The Global economy might recover from the current recession soon, but the damage from the crisis will be long lasting, according to a *World Economic Outlook* report from the Organisation of Economic Co-operation and Development (OECD).

**2009 EU PARLIAMENT ELECTIONS** The 2009 European Parliament (EP) elections took place across all 27 EU member states on 4-7 June (for more information, please see Civitas' EP elections summary at: [www.civitas.org.uk/eufacts/EPupdate2009](http://www.civitas.org.uk/eufacts/EPupdate2009)).

Voter turnout across the EU was only 43%, the lowest ever recorded in EP elections. Across the 10 Eastern EU member states only 31% people voted and in Lithuania, turnout was only 21%.

**UK Conservative MEPs formed a new political group in the EP:** UK Conservative MEPs left the centre-right *European People's Party* (EPP) group in the EP and established a new group called the *European Conservatives and Reformists* (ECR), to reflect their euro-scepticism. The ECR pledged to uphold "the sovereign integrity of the nation state". The new group comprises 55 MEPs from 8 countries, including the Czech Civic Democrat and the Polish Law and Justice (PiS) parties. MEPs from the UK Conservative Party constitute the biggest single national element. The new ECR group is the 4<sup>th</sup> largest in the EP and, according to the UK Conservative Party leader David Cameron, it will "make a strong case for a centre/centre-right but *non-federalist* future for the EU". There was disagreement about how influential the new ECR group will be in the new European Parliament.

**Other political groupings in the European Parliament:** Despite the fact that the UK Conservatives left the centre-right *European People's Party* after the June election, the EPP remained the largest group in the EU Parliament and Joseph Daul was re-elected as EPP chairman. Following the EP election, the centre-left *European Socialists Group* changed its name to the *Progressive Alliance of Socialists and Democrats in Europe* (PASDE) after Italy's Democratic Party agreed to join but was uneasy about sitting under the 'Socialist' name. The new PASDE group elected Martin Schulz as their leader.

**2009-2014 European Parliament Presidency - Candidates:** The *European People's Party* (EPP) selected Jerzy Buzek (former Polish Prime Minister) as their candidate for the new President of the European Parliament (EP). The *Progressive Alliance of Socialists and Democrats in Europe* (PASDE) selected their leader Martin Schulz. Mr Schultz could be jointly elected by an alliance between the EPP and PASDE. The new EP President is expected to be announced on 14<sup>th</sup> July.

## **INSTITUTIONS AND POLITICS**

**EU Commission (EC) President, José Manuel Barroso** announced that he will run for a second 5-year term as President of the EC, following the success of centre-right parties in the 2009 European Parliament elections (Barroso is a member of the centre-right EPP). He was subsequently endorsed by all 27 EU leaders at the European Council in June, and is currently unopposed (it was thought that Luxembourg's Prime Minister Jean-Claude Juncker might be an alternative candidate, but he has insisted that he does not want to be President). Barroso's nomination must also be ratified by the European Parliament, where Barroso may face opposition from centre-left EP parties and the leader of the Greens in the European Parliament, Daniel Cohn-Bendit, who claimed: "His policies have failed the economy, the environment and democracy".

### **EU's Lisbon Treaty approved by German Court:**

Despite its already having been passed by an overwhelming majority in the German parliament in 2008, Germany's Federal Constitutional Court examined the Lisbon Treaty because of concerns that it compromises German sovereignty and contravenes the country's Constitution. After the treaty was approved by the Court, the German Government said that it is keen to activate the Lisbon Treaty as soon as possible, but the Czech Republic, Poland and Ireland have also not yet signed the treaty.

**£100,000 Lisbon Treaty bet:** Stuart Wheeler, who has formerly donated money to the UK Conservative Party, bet £100,000 that the UK Conservatives would not keep their promise to hold a referendum on the Lisbon Treaty if the Party is elected to power after the Lisbon Treaty has already come into force.

### **A new "Euro-metropole" is to be tested at the border of France and Belgium.**

A *Euro-metropole* is a form of 'transnational civil administration', which under the EU's law creating *European Groupings for Territorial Co-operation (EGTC)* allows public authorities from different member states work together to deliver joint services. For example they have the legal authority to pursue cross-border crime and to invest in common infrastructure without projects needing to be ratified by national parliaments. The new scheme, on the border of France and Belgium, will be called the *Euro-metropole Lille-Kortrijk-Tournai* and it will encompass 3,500 square metres and 2 million inhabitants.

## **AGRICULTURE AND FISHING**

**Most EU agriculture ministers committed to establishing a fairer and simplified Common Agricultural Policy (CAP) from 2013** (the start of the next 7-year EU budget). Ministers defended the current system of paying farmers directly, but they said they hope to iron out huge differences in the amount of payment that farmers receive. Payments vary greatly across the EU - Greek farmers receive €600 per hectare of arable land while Latvian farmers get under €100. EU Agriculture Commissioner Mariann Fischer Boel said it would be "out of the question" to maintain the current subsidy system, which is linked to 2000-2002 production figures. However, many EU member states, including Britain, Denmark and Poland argued that the proposal didn't go far enough.

**A cut-rate technique of mixing red and white wine to make unauthentic rosé cannot be used by EU winemakers.** This ruling was a victory for French winemakers, but other countries said that the cheaper technique provided a way to compete with down-market rosés from Australia and South Africa.

**Almost half of all EU Common Fisheries Policy (CFP) funding goes to Spain**, according to research by the *Pew Environment Group*. From 1994-2006, 44% of CFP funding went to Spain, with a majority (35% of the EU total) being spent on new vessels. Critics said that the money was mostly spent on 'modernisation', which should not be encouraged because it creates vessels capable of worsening over-fishing. The EU Commission is currently seeking to create a new CFP to enter into force in 2013.

## **OTHER DEVELOPMENTS:**

**All Mobile Phones sold in the EU will use a universal phone charger from 2010** following pressure by the EU on mobile phone manufacturers.

**EU's Working Time Directive -predicted effects:** The President of the Royal College of Surgeons said that the EU's Working Time Directive, which limits working hours to a maximum of 48 hours per week, could have a "catastrophic" affect when it comes into effect for junior doctors on 1<sup>st</sup> August this year because it could be difficult to find enough staff to cover the extra hours.

## **NON-EU STATES:**

**Turkey's EU membership: "It's all or nothing":** Turkey's EU Affairs Minister revive Turkey's drive to join the EU, saying that nothing less than full EU membership would be acceptable. Turkey has already rejected substitute offers from France and Germany of limited 'enhanced trade' status. Bagis said that the EU will need Turkey in future to deal with issues such as terrorism, organised crime, climate change and energy. Accession talks opened with Turkey in 2005, but they were partly frozen in 2006 when Turkey refused to open its ports and airports to Greek-Cypriot traffic. It has since done so but has stopped short of recognising the Greek-Cypriot administration on the whole island. Meanwhile, several countries (most notably France and Germany) remain opposed to Turkey's bid to join the EU.