



## EU Facts Update: developments in the EU (March 2009)

**EU divided over economic crises in Eastern EU member states:** An emergency European Council summit on 1<sup>st</sup> March failed to agree to Hungary's proposals to establish a €140-160 billion fund to help Central and Eastern European countries, badly hit by the global recession. The failure of the negotiations prompted concern that the EU couldn't respond to the global crisis in a unified manner. However EU leaders at the Council meeting did agree to double the EU's support for balance-of-payments (transactions carried out between countries) to €50 billion.

**Romania discussed a possible loan** in a meeting with the EU and the International Monetary Fund (IMF). On 9 March Romania's President, Traian Basescu, said that the country's "huge bureaucracy" stops EU funds from being used effectively.

**Bulgaria announced that it is close to joining the euro:** Bulgaria predicted that its inflation rate will fall to 2.5% at the end of 2009 (down from 7.8% in 2008) to meet the *Maastricht criteria* to join the EU's Single Currency. French Europe Secretary, Bruno Le Maire, suggested that France might support the early eurozone entry of Eastern EU member states.

**G20 summit in London - Deals and discord:** At an EU Council summit on 13-14 March EU leaders agreed to provide an additional €75 billion to the IMF and €5 billion for a European Economic Recovery Plan. The EU Council also decided a joint strategy for the G20 summit in London (the EU and 19 of the world's most economically developed countries meet regularly to discuss global economy issues). The EU's strategy was to increase IMF funding, strengthening the regulation of financial markets and clamp down on tax havens (which Luxembourg, Austria and Switzerland opposed). However the joint approach evaporated in the days before the summit. Tensions grew because US President Obama said that financial stimulus packages were the key to ending the crisis, while France and Germany said that instead more regulation of financial markets was needed. With Britain appearing closer to the American position, the EU approached the G20 in precisely the kind of discord the joint strategy had sought to avoid, for example French President Nicholas Sarkozy, had threatened to walk out of the G20.

**The global recession damaged the EU's *Lisbon Strategy* ambition** for the EU to become "the most competitive knowledge-based economy by 2010", according to the *Annual European Growth and Jobs Monitor report*. The Lisbon Strategy was set out at an EU Council summit in 2000.

**EU finance Ministers agreed to cut VAT (sales tax) on 10<sup>th</sup> March:** The current EU-wide rate of VAT is 15%; however states will now be allowed to reduce VAT to 5% on certain 'local' services including meals, haircuts and home repairs. Negotiations on EU VAT rates have been lengthy because decisions on tax rates must be agreed unanimously by member states in the Council of Ministers. French President, Nicholas Sarkozy, has pushed for EU-wide tax cuts to help small businesses through the global recession; however Germany, Bulgaria, Denmark, Estonia, and Lithuania warned that if states reduce rates too far it will reduce public finances.

**The European Commission sought clarification from the French government** following Renault's (the car maker) decision to move some of its car production from Czech Republic to France. Renault's decision comes weeks after the EU Commission approved French plans to give Renault a loan of over €5bn. There is concern that the recession is leading to 'economic nationalism', but the French government denies putting any pressure on Renault and promised to abide by the rules of the EU's Single Market.

**Sweden unveiled its EU Presidential logo** for when it takes over the EU Presidency from the Czech Republic in July 2009. The logo is intended to represent "openness, dialogue, climate and light". The [Presidency will prioritise](#) the environment to tackle climate change.



## EU Energy Security

- i. **The Joint EU-Ukraine Investment Conference for the modernisation of the pipeline network** in Ukraine provoked condemnation from Russia. The Conference set in motion a process of modernisation led jointly by Ukraine, the EU and International Financial Institutions, with costs estimated between €2.5-3bn. Russian Prime Minister Putin remarked that “it is really impossible to ignore Russia’s interests in this process. Russia is the monopoly supplier of gas to Europe and without Russia’s participation an agreement is not worth much at all”, before labelling the agreement “ill-considered and unprofessional”. The EU was said to be ‘very concerned’ that Putin’s comments could indicate the risk of a new energy supply crisis.
- ii. **Renewed impetus for the development of the ‘Southern Corridor’ for energy supply**, as the European Council calls on the Commission to present concrete proposals for the project. The ‘Southern Corridor’ would allow energy supplies from the Caspian region and Central Asia to flow directly to the EU, by-passing Russia. Despite Angela Merkel, Germany’s Chancellor’s opposition to using EU money to pay for the Nabucco pipeline, the EU Council approved €200 million funding for the pipeline part of the Corridor.
- iii. **The price of carbon emissions stayed very low**, prompting Ed Balls (UK energy and climate change secretary) to ask for intervention in the EU’s Emissions Trading Scheme (ETS). The ETS is a market for Carbon Trading. Companies must buy permits to be allowed to emit carbon dioxide into the atmosphere to encourage them to use ‘clean’ energy and limit their emissions. From 2013, a new ETS scheme will limit the number of permits to 1.72 billion, but Ed Balls wanted the EU to limit the available number of permits earlier, to make carbon emissions more expensive.

**The European Court of Justice (ECJ) ruled that a ‘compulsory retirement age’ can be compatible with EU directives against ageism.** The case was referred to the ECJ by the UK High Court and it means that if a retirement age is enforced to regulate and improve the labour market, it is legitimate. It will now be up to the UK High Court to decide whether the UK retirement age fulfils such criteria or not.

**The Czech Government resigned following a ‘no-confidence’ vote** in the Czech Parliament. The vote was damaging for the EU because the Czech Republic currently holds the EU Presidency. An interim arrangement was agreed to avoid disruption to EU business until the end of the Czech Presidency in June. The vote came only weeks after the lower house of the Czech Parliament endorsed the EU’s Lisbon Treaty, which seeks to end the 6 month rotating Presidencies of the EU, replacing it with a permanent 2½ year ‘President of the European Council’.

**UK Conservative Party will leave the European People’s Party (EPP) grouping** in the European Parliament (EP) after the EP elections in June 2009. The Conservatives’ Europe spokesman confirmed the move in a meeting with Joseph Daul, leader of the EPP. Conservative MEPs are expected to form a new group in parliament called ‘European Conservatives’.

**2009 is the EU’s *European Year of Creativity and Innovation*** to promote creativity and innovation for economic prosperity and social wellbeing. A first event was held in Brussels on 2-3 March and a *CleanTech Innovation Forum* will take place [in London](#) in June 2009.

**Libertas launched its UK branch**, positioning itself as a rival to UKIP at forthcoming EP elections. *Libertas* will field candidates across the EU. *Libertas* ran the ‘No to the Lisbon Treaty’ campaign when Ireland rejected the Lisbon Treaty at a referendum in June 2008. Candidates will either be members of newly established *Libertas* branches or members of affiliated parties running under the *Libertas* banner. The party is experiencing legal difficulty in attaining official recognition as a *Europarty* - a status that would guarantee EU funding - due to the withdrawal of two of the 8 members required for the *Europarty* application.



**France's President Sarkozy** gave limited support for Muel Barroso (current Commission President) to continue as President when a new EU Commission is appointed. Leaders from EU Member States (i.e. Gordon Brown for the UK), will nominate a Commission President at an EU Council summit on 18-19 June - 2 weeks after the EP election on 4-7 June 2009. The new Members of the European parliament (MEPs) will then vote to confirm the choice of commissioners. Barroso is the favourite to be the candidate for the right-of-centre parties. Left-of-centre parties have yet to agree a candidate for the Commission President.

**EU Environment Ministers reject the EU Commission's attempt to force Austria and Hungary to allow Genetically Modified (GM) maize to be grown in their countries.**

**French President, Nicholas Sarkozy** said he will lead France back to full NATO membership in early April 2010, which would allow the stationing of NATO troops in France for the first time in over 40 years.

**EU 'Mediation Commission' will lead negotiations to resolve Croatia/Slovenia land dispute:** Croatia and Slovenia have disputed the ownership of a strip of land on their border since the 1991 break-up of Yugoslavia. The dispute has led Slovenia to veto Croatia's accession to the EU.

**Albania will formally apply to join the EU "before the end of June 2009".** Albania's Prime Minister made the announcement on 9 March commenting that 96% of Albanians want to join the EU. It was commented that Albania hoped to "take advantage of the pro-enlargement Czech EU Presidency" before Sweden takes over the EU Presidency in July 2009.

#### Non-EU states:

**EU anti-Piracy agreement with Kenya was concluded** which will allow Kenyan authorities to try suspected pirates captured by the EU's *Atalanta* naval mission, currently patrolling the coast off the horn of Africa. Juan Garat Caramé, of the Spanish Navy, was appointed Force Commander of operation Atalanta.

**EU renewed travel ban on the Belarus' President Lukashenko.** However, in seeking to strike a conciliatory tone with Minsk, EU foreign ministers agreed to a bizarre compromise whereby the travel ban is renewed for one year but is suspended for the first 9 months, at which point there will be a further decision on whether to extend the suspension.

**EU-Israeli relations deteriorate:** as Benjamin Netanyahu became the new Prime Minister of Israel. External relations Commissioner Benita Ferrero-Waldner provoked controversy by suggesting that Israeli actions in Gaza during the recent conflict had "not contributed to an atmosphere conducive to concluding the upgrading [of relations] with Israel". Additionally, the Czech foreign minister cautioned that if the incoming Israeli government did not accept the principle of a 'two-state' solution to the Israeli-Palestinian conflict, "relations would become very difficult indeed", but thus far, Mr. Netanyahu has been unwilling to commit to a 'two-state' solution.