



## EU Facts Update: developments in the EU (November 2010)

### EU Institutions

**EU Auditors** refused to sign off EU accounts for the sixteenth year in a row, due to spending errors and fraud. They found that 5 out of 7 of the EU's spending areas were affected by an error rate of more than 2% (the Commission's threshold for a 'clean bill of health'). The EU's Cohesion Policy (which makes up approx. one third of the EU budget) had the highest error rate. 'Irregularities and fraud' in the EU's [Common Agricultural Policy](#) (CAP) cost an estimated £108.5 million.

**EU Commission code of conduct was reformed** following recent scandals involving ex-Commissioners taking high-level positions in the private sector related to their former roles. Under the new rules, ex-Commissioners must wait longer after they leave the Commission before they take up a related post. They will also not be allowed to lobby officials related to the portfolio they oversaw while working for the EU. The new rules are intended to avoid a conflict of interest arising in post-Commission jobs.

**The first EU Citizens Initiative (ECI) to reach the required 1 million signatures** was denied by the Commission. The petition (collected by *Greenpeace* against the use of Genetically Modified Organisms (GMO) in the EU) was rejected because the signatures were collected prematurely - before ECI legislation had legally entered force. *Greenpeace* said it intended to fight the decision. Potential changes to the ECI were discussed by the [EU Parliament](#), including the possibility of lowering the number of signatures required, in order to make it easier to use.

**Council of the EU Presidency** – Hungary's 6-month presidency will begin on 1 January 2010. Hungary's priorities for its presidency include: Bulgaria and Romania's accession to the Schengen area; Croatia's membership of the EU; and developing a 'Roma strategy'. The Hungarian Presidency's budget is likely to be €80 million.

### EU Budget

**Backbench UK Conservative Party members criticised the UK Prime Minister** after he supported increasing the EU budget in 2011 to 2.9% at a summit last month - this increase could cost the UK an extra £660 million in 2011. Conservative MPs said that Prime Minister David Cameron had missed an opportunity to reduce the EU budget, or to repatriate powers from Brussels to Westminster in return for supporting the EU budget increase.

**2011 EU budget** - a last attempt to reach agreement on next year's EU budget failed, due to reluctance by member states to grant Members of the EU Parliament (MEPs) extra powers in future multi-annual budget negotiations. There was also disagreement on how big the 2011 budget should be (MEPs wanted a 6% increase). EU [Commission President Jose Manuel Barroso](#) expressed his 'extreme disappointment' when the negotiations failed. The EU Commission published a second draft of the budget at the end of November (several days earlier than expected) but if no agreement is reached by January, the 2011 budget total will be the same as in 2010 and disbursed in 12 equal instalments through the year until agreement is reached.

**German Chancellor Angela Merkel said she opposed the Commission's proposals to establish EU tax-raising powers.** However, Commission President Jose Manuel Barroso said he will publish a proposal on EU self-funding before the end of June 2011.

**EU regional policy** – the [Polish](#) and [Czech](#) prime ministers declared they wouldn't accept cuts to EU financial support for Central and Eastern European countries. Such funding is currently provided through the EU's regional policy.

**The EU Court of Justice ruled that the European Council's decision to limit EU civil servants' pay rise to 1.8% was illegal.** The mechanism used to work out EU officials' pay meant they were entitled to a 3.7% pay increase last year. Many EU states opposed the rise at a time when they were implementing drastic spending cuts and pay freezes. However, the ECJ ruled that national governments had no right to block the planned salary increase and stated that pay should be backdated to cover the missing months.

**Investigation into €720,000 EU money used to pay for an Elton John concert in Italy** initiated by the EU Commission. The concert was part of the Piedigrotta festival in Naples in September 2009. The money was part of €2.25 million regional funding and - under EU rules - regions aren't required to report expenses of less than €50 million. However, the EU asked Italy to pay back the money used for the concert because the funding had been intended for 'structural long-term investments'. It was also announced that a former Slovakian Government gave €600,000 funding for EU education programs to 2 football teams, and also spent €1 million on teaching leadership skills in a cabbage-processing plant.

### EU Economy

**EU funded credit rating agency discussed.** UK Secretary to the Treasury, Mark Hoban, said the UK will oppose such a move.

**Every EU state will have moved out of the recession by 2012,** said the EU Commission. It predicted that growth would range from 0.8% in Portugal to 4.2% in Poland.

### Eurozone

**The Eurozone and the EU were in a 'survival crisis',** said the EU Council President [Herman Van Rompuy](#), because ongoing sovereign debt problems (particularly in Ireland and Portugal) continued to endanger the Euro. He later said his remark was misinterpreted.

**Ireland's €85 billion bailout** – despite repeated assertions by the Irish Taoiseach (Prime Minister) Brian Cowen that Ireland had enough funds to last until mid-2011, Ireland announced it was applying for a €85 billion bailout. Ireland's decision came 6 months after the EU and International Monetary Fund (IMF) arranged a €110 billion bailout for Greece. Ireland's contribution to

the rescue was €17.5 billion (coming from its sovereign wealth fund). The remainder was comprised of: €22.5 billion from the IMF; €22.5 billion from the EU-wide European Financial Stabilisation Mechanism (EFSM); €17.7 billion from the Eurozone's rescue mechanism (the European Financial Stability Facility, EFSF); €3.8 billion bilateral loan from the UK; €0.6 billion bilateral loan from Sweden; €0.4 billion bilateral loan from Denmark. The bailout was subject to strict conditions, including a 4-year austerity budget. There was intense pressure on Ireland to ask for the bailout because it was feared that its economic collapse would cause widespread damage to the rest of the Eurozone. There was concern in Ireland that the EU would demand an increase in its corporation tax rate (currently 12.5%) in return for the bailout; however, no such demand was made. Ireland's Green Party (a junior partner in the Governing Coalition) called for the Government to announce a general election, and Brian Cowen faced mounting pressure to quit. However, the EU warned the Irish Government that a snap election would be 'very irresponsible' and Brian Cowen said that he and the coalition would stay on until the 2011 budget and 4-year austerity plan were confirmed (the Irish Government published a draft budget, which was supervised by the EU and IMF).

**Portugal** rejected rumours that it would also need a bailout, despite its borrowing costs increasing. Portugal's state deficit increased in the first 10 months of 2010, suggesting that its austerity measures were not working. The Portuguese Parliament's approval of a new budget and austerity plan for 2011 triggered a general strike on 24 November.

**Greece** promised to introduce further spending cuts to meet the terms of its EU and IMF bailout, which was granted in April.

**Proposals for Eurozone sanctions criticised by the Swedish Prime Minister**, Fredrik Reinfeldt. He said that it would be difficult in practice to punish Eurozone countries that run excessive budget deficits.

**Agreement reached on a new permanent resolution mechanism for ailing Eurozone countries.** Eurozone finance ministers agreed on the creation of a new fund to replace the €440 billion European Financial Stability Facility when it expires in 2013.

### **Single Market**

**5-year EU trade policy unveiled**, by the trade commissioner Karel de Gucht. The policy included legislation to ensure that the openness of European government contracts is reciprocated overseas. He also said that completing the Doha round of World Trade Organisation (WTO) talks by the end of 2011 was a top priority for the EU (the talks began in 2001 but stalled in 2008).

**Twinings received €12 million EU funding for the relocation of a factory to Poland.** The firm's North Shields site faces closure in September 2011 with the loss of 263 jobs. An EU Commission review will determine whether the company broke EU rules.

**The ECJ ruled in favour of more privacy for Common Agricultural Policy (CAP) recipients.** The ECJ stated that printing the details of those receiving EU agricultural payments was an infringement of their privacy rights. The case was brought by two German farmers who objected to having their names, addresses and the amount of funds they received published in the public domain. Transparency groups secured the publishing of CAP recipient details in 2007, a process which uncovered surprising beneficiaries, such as the Royal family and multi-national companies. The EU Commission decided to reclaim €578.5 million of EU farm funding that was unduly spent by EU states (due to non-compliance with EU rules or inadequate controls on expenditure). 19 of the 27 EU states were ordered to pay money back – Greece was responsible for more than half of the total (over €335 million). The Commission announced proposals to reform the CAP, for example to emphasise greater environmental protection with less divergence in payments between 'old' and 'new' member states, and to abolish dairy quotas by 2015. The Commission will publish its full CAP reform proposals in July 2011 and then negotiations will take place between the EU Parliament and Council before the new CAP is introduced in 2014.

**Common Fisheries Policy (CFP)** – EU fisheries ministers discussed maintaining quotas for bluefin tuna fishing and rejected the 50% reduction in catches proposed by the EU Commission for 2011. The only states in favour of the reduction were Sweden and the UK. The EU's fishing authority called for a 50% reduction in British cod fishing in 2011.

**EU fined 11 airlines for fixing prices** on international cargo shipments between December 1999 and February 2006. Air France-KLM received the largest fine (€310.1 million) and British Airways PLC the second largest fine (€182.9 million).

**EU strategy on data protection unveiled** – the EU hopes to make firms seek internet users' explicit consent before downloading their personal data. The EU also wants companies to make it possible for private information to be deleted from the internet.

**New EU rules to regulate managers of hedge funds and private equity groups from 2013 approved** by the EU Parliament, ending long and difficult negotiations over how tough the new regime should be.

**Italian rules allowing products labelled 'pure chocolate' deemed to breach EU-wide rules** that introduced 'full harmonisation of sales names for cocoa and chocolate products in order to guarantee the single nature'.

### **Social Policy**

**EU Sports Council** – EU ministers gathered for the first ever sports council at which they discussed using sports to increase involvement in volunteering (2011 will be the European Year of Volunteering). The **Lisbon Treaty** (2007) gave the EU a competence on sports policy and the EU Commission will launch its first sports programme in 2012.

**EU Working Time Directive** (limiting working hours to a maximum 48 hours per week) - it was reported that the extra spending on the wages for doctors needed to fill gaps in hospital rotas increased by £200 million last year (from £548 million in 2008-09 to £758 million in 2009-10).

**New EU pension rules announced** – the Commission looked to improve the pension fund supervisory framework to iron out the differences between EU countries. The rules will be revised towards the end of 2011.

**The 'Enhanced cooperation' clause of Lisbon Treaty was used for the second time** when several EU states opted to develop a common patent. After years of stalemate on attempts to design a common patent that would work across the EU - the UK, Germany, Sweden, Ireland, the Netherlands, Slovenia and Estonia grouped together to draft a patent agreement. The new grouping will ask the Commission to help them design a common patent and will encourage other EU states to join them.

Previous negotiations were continuously blocked by Italy and Spain (who cited linguistic discrimination and insisted patents be translated into their own languages.)

**EU banned the chemical bisphenol A (BPA)** in baby bottles over safety concerns. The ban will come into force in June 2011.

### **Foreign and Security policy**

**EU Council President warned against growing nationalism**, populism and anti-democratic forces across the EU. Herman Van Rompuy said that these movements threaten peace in Europe.

**EU rejected plan to blacklist airports in terrorism-prone countries** in the aftermath of mail bomb plots from Yemen and Greece.

**EU anti-piracy task force (EU Navfor)** rescued a South African yachtsman who was left behind by Somali pirates who took 2 other crew members onshore as hostages.

**EU's Eastern Partnership criticised** by Azerbaijan's deputy foreign minister. He said the EU's initiative for developing relations with its Eastern neighbours was not adequately addressing geopolitical challenges in the Caucasus.

**New EU Parliament Special Committee (an off-shoot of the Foreign Affairs Committee)** prepared to start work. The 5 committee members will need security clearance from their country of origin to gain access to classified documents on EU foreign relations.

**EU Galileo satellite project** – in 2011, 4 more satellites will go into orbit and spending will increase by 22.2% (to €554 million).

**European External Action Service (EEAS) structure announced** – the EEAS will have an annual budget of €5.8 billion, with ambassadors across 137 embassies and up to 7,000 EU bureaucrats. The EU's High Representative for Foreign Affairs, Catherine Ashton, confirmed that hearings for the new EU ambassadors would take place on camera and be as 'open' as possible, after the EU Parliament had argued for closed-door hearings.

### **EU Energy Policy**

**EU Energy strategy for the next decade unveiled** by the EU Commission. The strategy calls for the unification of member states' energy networks, the replacement of out-of-date production capacities, and a focus on developing CO<sub>2</sub>-free energy.

**The Commission considered new funding proposals for the ITER nuclear project** following the breakdown of the 2011 EU budget negotiations. The project, which has already cost €16 billion, is now €10 billion over budget, but the Commission considered reallocating funds initially destined for other projects to make up the sum.

**Possible extension of 2018 EU deadline for closing subsidised coal mines discussed** – the EU Parliament voted in favour of the extension, which was supported by the German and Spanish governments.

### **Justice and Home Affairs**

**EU patrolled the Greek-Turkish border** - more than 100 border guards from Frontex (the EU's external border cooperation agency which has guards from several EU countries) reinforced Greek police forces on the country's border with Turkey.

**Proposal to strengthen Frontex** discussed by EU interior ministers. They proposed to establish a reserve of border guards to respond to surges in illegal migration. Under the new proposals, once the initial commitment has been made, governments would only be able to veto their deployment in exceptional circumstances.

**EU accused by Amnesty International** of failing to hold its member states to account for their role in the detention of terrorism suspects by the CIA. Amnesty International called for European governments to ensure justice for suspects who were interrogated under the programme known as extraordinary rendition.

### **Environmental policy**

**EU Environmental policy plans until 2020 revealed.** They include creating a single European transport area, greener infrastructure and low-carbon technologies. A White Paper on Transport will be published in December 2010.

**EU law requiring states to bury radioactive waste underground proposed.** Similar suggestions have been rejected by EU states in the past. There are currently 143 nuclear power plants in 14 EU member states, but no repositories to deal with the waste produced.

**EU CO<sub>2</sub> capture and storage bids opened** for the first portion of €4.3 billion in subsidies. The EU money will be available to fund the storing of CO<sub>2</sub> underground and to promote renewable energy. The EU aims to have 12 carbon capture and storage demonstration projects ready by the end of 2015.

**Debate continued over the EU's biofuels policy** and its impact on climate change. Supporters of biofuel use argued that it could cut greenhouse gas emissions and therefore help fight climate change. However, critics said that changes in land use caused by the expansion of biofuels may release carbon stored in soil, therefore offsetting any positive benefits (one report predicted meeting EU targets on biofuels could cause up to 73 million tonnes of CO<sub>2</sub> emissions each year).

**London's 6-month trial of road spraying began** in an attempt to tackle its high air pollution levels. The UK's capital is close to breaching EU legal limits for particulate matter (PM10) produced mainly by engine emissions along with tyre and brake wear. Similar tests in Sweden, Norway, Austria, Italy and Germany have recorded success in the past.

**EU wind farm design guidelines issued** to avoid disturbing birds and bats in 'Natura 2000', the EU's network of protected sites.

**Plans to harmonise national reporting on the environment** backed by the EU Parliament's environment committee, including on air pollution, green taxes or raw material flows. The whole EP will vote on this issue on 13 December.

**€2.2 billion EU climate finance given to developing countries in 2010** (as agreed at the 2009 Copenhagen climate conference).

**EU air-conditioning rules** proposed to make in cars more environmentally friendly by 2017.

## **EU member states**

**The UK** – a new European Union Bill containing a 'referendum lock' was announced. The referendum lock is a promise to hold a referendum on any transfer of power from the UK to the EU. The Bill also contained a 'significance clause' which stated that a transfer of powers that ministers consider to be 'insignificant' will not be put to referendum. The Bill aims to re-engage the electorate with EU issues, and protect UK sovereignty. However, critics asked for clarification on what would constitute an 'insignificant' power transfer. Also, the EU Commission launched a new website aimed specifically at UK citizens. [The EU and Me](#) claimed to be 'A No-Nonsense Guide for UK Citizens on What the EU delivers,' and aims to dispel myths about the EU.

**The UK and France** signed a new defence and security co-operation treaty (partly due to budget pressures). France and the UK will build up a joint expeditionary force from 2011 for bilateral missions, as well as those managed by the EU, NATO or the UN.

**The Netherlands** - the far-right Dutch Freedom Party (PVV) suggested the country should hold a referendum if changes are made to the EU treaties. The proposal angered some EU politicians because the country rejected the proposed EU Constitution (the predecessor of the Lisbon Treaty) at a referendum 5 years ago. The PVV is not a member of the Dutch Government, but the ruling minority coalition relies on its support.

**Italy** – the EU Environment Commissioner threatened to freeze funds unless Italy complies with EU rules on waste removal.

**Greece** – Prime Minister George Papandreou's party did well in local elections, which he claimed was an endorsement of the Government's €110bn bail-out package and spending cuts. Papandreou dropped his threat of calling national elections early.

**Romania and Bulgaria** - France recommended delaying a decision on allowing the countries to join the [Schengen Area](#) until the summer of 2011.

## **Enlargement States**

**Iceland started face-to-face membership negotiations** with EU Commission officials. Iceland's justice minister pushed for the talks to be concluded in 2 months followed by a referendum in Iceland on EU membership. However, disputes over Iceland's fisheries policy remain. For example, Iceland rejected a Norwegian proposal (backed by the EU) that Iceland should set its mackerel quota at 26,000 tonnes in 2011 (instead Iceland upped its 2011 quota to 130,000 tonnes). Iceland turned down €30 million EU funding over concern that it would interfere in domestic debate about whether Iceland should join the EU.

**Croatia** – the EU announced the country is ready to progress with its EU membership bid.

**Turkey** – the EU said Turkey must work faster to settle its border disputes with Cyprus in order to progress on its EU membership bid. Prime Minister Recep Tayyip Erdogan said 'as long as we are not a member of the EU, the EU will not become a global actor'. Telegrams released in the *Wikileaks* affair (highly sensitive cables sent between the US Government and its ambassadors were published online) highlighted tensions between the EU and Turkey over the slow progress of Turkey's EU membership bid.

**Western Balkan states may get fixed accession dates** when Greece takes over the EU presidency in 2014. Greece said a priority of its presidency will be to hold a summit to set specific, realistic targets for membership.

## **EU relations with external states**

**EU-Africa summit** - EU leaders were criticised for meeting with Zimbabwean President Mugabe at the summit hosted by Libya. At the meeting Colonel Gaddafi, the Libyan leader, demanded more EU spending to tackle illegal immigration. Some African leaders also criticised what it called 'pressure tactics' by the EU Commission to liberalise their economies.

**Afghanistan** – all airlines based in Afghanistan were banned from flying in the EU because of 'inadequate civil aviation oversight'. The EU unsafe carriers list is updated 4 times a year.

**Albania and Bosnia** - EU agreed to lift visa requirements for the countries' citizens travelling to the EU from mid-December 2010.

**Malaysia** – a Free Trade Agreement (FTA) with the EU is set to be completed by 2012, said the EU.

**Montenegro** – the EU said it was likely to grant Montenegro candidate status in November, but that it would delay membership talks with Montenegro as a result of corruption and slow democratic reform.

**Serbia** – an EU Commission progress report criticised Serbia's lack of judiciary reform and discrimination against minorities.

**Ukraine** – an EU-Ukraine summit held on 22 November was the first to be held with newly-elected President Viktor Yanukovich. The EU gave Ukraine a list of conditions to fulfil before visa requirements for Ukrainian citizens travelling to the EU can be lifted.

**North Korea** - the High Representative for Foreign Affairs, Catherine Ashton, joined the international community in condemning the North Korean artillery attack on Yeonpyeong, a South Korean island.

**Russia** – Prime Minister Vladimir Putin suggested that a 'common continental market' with Russia could help member states emerge from the economic crisis.