



## EU Updates - October 2011

### EU Institutions

**MEPs requested an increase in the EU's budget for 2012.** The members of the European Parliament's Budget Committee asked for an increase of 5.2% compared to this year's budget. The desired budget sets the increase back in line with the level increase the [European Commission](#) proposed earlier this year, before it was drastically cut by the [European Council](#) in July. The increase passed in the [European Parliament](#) with 430 votes in favour and 120 against. However, the demand is likely to be whittled down during budget negotiations to be carried out during the 21 day conciliation period in November - last year's was eventually reduced to €129billion from the requested €133billion.

**European Parliament (EP) to seek powers of legislative oversight.** A report by David Martin MEP argues that a parliamentary committee should be able to summon witnesses, hear officials and request documents when conducting enquiries into breaches of EU law. These powers would give the EP a similar right of scrutiny as the US Congress. The proposals would oblige member states to chase up individuals who do not obey summons and penalise those who provide false testimony and bribe witnesses. MEPs are due to vote on the report in November.

**European Parliament passed a resolution condemning the conviction of a former Ukrainian Prime Minister.** MEPs from across party groupings came together to state their opposition to the sentencing of Yulia Tymoshenko to seven years in prison for abuse of office whilst she was prime minister in 2009. The resolution calls the conviction a violation of human rights and abuse of the judiciary used by the government to silence their main opposition. The verdict has caused problems for the relationship between the EU and Ukraine and the prospect of an association agreement has been weakened.

**Commissioner for economic and monetary affairs, Olli Rehn, has been promoted to Commission vice president,** and de facto minister for economic affairs of the Eurozone. Rehn's new role will involve assisting the Commission President on work relating to the European Council, the eurozone and economic governance. The European Commission now has eight vice presidents.

**The [European Court of Justice](#) (ECJ) banned patents on stem cells extracted from human embryos that are then discarded.** The decision is expected to have wide ranging implications for medical research throughout Europe, as the use of human embryonic cells is now only permitted for "therapeutic or diagnostic purposes", and not for scientific use.

### Economy

**MEPs seek greater fiscal integration to create a more stable Eurozone.** The leader of the centre-right European People's Parliament, Joseph Daul, pushed for greater fiscal integration to address the shortcomings of the economic system of governance. Guy Verhofstadt, the leader of Alliance of Liberals and Democrats for Europe (ALDE) supported a similar move and highlighted the need to create a European Monetary Fund that was capable of providing support to struggling economies. Meanwhile, Martin Schulz, who heads the centre-left Socialists and Democrats, called for swifter action on a Financial Transactions Tax to prevent tax evasion. All three major party blocs agreed that the European Council's slow response to the economic crisis had exacerbated the situation.

**The Commission is preparing a package to enhance economic governance** in the EU and Eurozone, to be released next month. The plans will enable member states to scrutinise each others' finances in greater depth.

**The European Parliament adopted a resolution urging member states to open their labour markets to Romania and Bulgaria.** 10 of the EU's member states have imposed restrictions on freedom of movement for Romanian and Bulgarian workers and, although these are set to expire in 2013, MEPs are calling on governments to reconsider their rules at an earlier date.

### Eurozone

**The Slovak Parliament became the last in the Eurozone to approved reform of the EFSF** (European Financial Stability Facility). Initially the reform failed to pass in the parliament (the government could not gain the necessary majority as a large number of MPs were absent or abstained from voting) however, a compromise was reached after Prime Minister Iveta Radicova agreed to stand down the following day. An opposition party, Smer-SD claimed to never have been against the reform, however would not vote for it under Radicova's government once the early election date had been agreed (the resigned government will remain in office until elections on 10 March 2012) the Parliament backed the EFSF expansion.

**EU leaders held a two-stage summit on the Eurozone crisis** at the end of the month. The summit was originally delayed due to the failure of France and Germany to see eye-to-eye on how best to tackle the crisis. EU leaders agreed a rescue

package for struggling eurozone economies including a write-down of half of Greece's debt (this means banks will have to accept a 50% loss on their holdings from Greece) and an increase in the European Financial Stability Fund (EFSF) from €440 billion to €1 trillion. Markets responded positively to the deal which has been designed to prevent a Greek default on its debts and 'contagion' to other member states. The package also includes a plan to recapitalise European banks which are required to increase their capital reserves by €106bn.

**The summit also covered rising concerns over Italy's debts.** The European Commission insisted that Italy should stick to its commitments to cut spending, reform the pension system and overhaul the weak judiciary. Soon after, Italy announced pension reforms in line with the Commission's suggestions – raising the retirement age from 65 for men and 60 for women to 67.

**EU seeks to persuade China to support the eurozone rescue package.** The head of the Eurozone's bailout fund, Klaus Regling, attempted to convince China to contribute some of its current-account surplus to a special investment vehicle which would be able to lend money to Eurozone countries and will increase the scope of the fund. However, the EU has denied allegations that it will offer China a special deal on EU bonds to convince it to invest in the EFSF.

**The Belgian operations of Dexai, the Belgian bank, are to be bought by the state for €4 billion.** Working with France and Luxembourg, the caretaker Belgian government will also provide €90 billion in guarantees over the next 10 years. The bank's financial difficulties have sparked fears of a return to the 2008 credit crunch.

**The credit ratings of Spain and several Italian banks have been downgraded** by Standard and Poor, amid concerns about levels of debt and low prospects for growth.

## EU Schengen Zone

**EU Commission outlines plan to keep track of travellers entering and leaving the [Schengen Zone](#).** The 'smart borders' plan is intended to make it easier to protect the Schengen Zone's external borders from unauthorised entry and to speed up the passage of travellers. Under the entry/exit system, the EU will be able to make a record of all non-EU citizens in the Schengen Zone and the amount of time they spend within its borders. The Commission will undergo consultations with MEPs and member states in order to discuss technological, data protection and cost implications as the current system, which relies on stamping passports, will be replaced by automatic processing.

**[Denmark](#) decided not to reintroduce border controls as planned by the previous government.** On its first day in office the new centre-left government, led by Social Democrat Prime Minister Helle Thorning-Schmidt, announced it would not be pursuing former Prime Minister Rasmussen's line on introducing enhanced border control centres and enhanced checks, a move which had been criticised by the EU Commission as 'against the spirit' of the agreement.

## Technology

**Two satellites were launched as part of the EU's Galileo Programme,** which is set to complement America's GPS as a global satellite navigation system. A pair of satellites is expected to be put into orbit four times a year from 2012 until the network constitutes approximately thirty satellites by 2020. Controversy about the programme has been ongoing for several years, centred in particular on its financing. Galileo should be in use by 2015. However, the name of the programme has caused problems as its trademarks came under attack from a company with headquarters in the US. Galileo International Technology, based in Georgia, has twice challenged the name of the EU's satellites against the Commission in the European Court of Justice but has lost on both occasions. Nevertheless, the challenges are ongoing and the Commission is said to be contemplating a name change for the programme.

## Justice and Home Affairs Policy

**A UN study has revealed that organised crime in Italy is affecting the national economy.** The study suggests that crime can have a positive impact in the short term because dirty income helps small businesses and job creation or is saved in banks, easing credit flows and liquidity. However, the impact of illegal waste disposal, drugs and people trafficking amounts to 7.7% of the country's GDP and enterprises supported by criminals are damaging to competitiveness causing legitimate businesses to struggle.

**MEPs voted in favour of pan-EU rules on child abuse.** The new legislation, which was adopted with 541 votes for, 2 against and 31 abstentions, will ensure child abusers across the EU face minimum penalties and websites containing child pornography are blocked or removed.

**The European Commission has announced plans to tackle the growing use of drugs in Europe.** The Commission plans to strengthen rules to curb the use of so-called 'legal highs', and clamp down on the production of new drugs. An announcement is expected early next year on the results of an ongoing impact assessment related to the classification of substances as legal and potentially illegal.

## Foreign Policy

**The EU urges calm as tensions simmer in Egypt and Tunisia.** Coptic Christians protesting in Egypt were attacked, with several killed and hundreds injured. Christians are an unpopular minority in Egypt and there is concern that the ousting of Mubarak earlier this year will leave room for extremists to target them. The EU's Foreign Affairs Chief, Catherine Ashton, expressed "extreme concern" at the number of deaths and injury. Meanwhile a TV station in Tunisia was attacked after broadcasting the popular animation "Persepolis", for depicting animated scenes of a girl meeting God.

**Member States have backed US claims that Iran plotted to assassinate a Saudi diplomat.** In a communiqué released by the European Council, leaders have welcomed restrictive measures against Iran following the plot to kill the ambassador of Saudi Arabia to the

**China has called on the EU to recognise its status as a market economy.** Shen Danyang, spokesperson from China's foreign ministry, has insisted that China's support for the EU's debt crisis is a separate issue.

**The European Parliament awarded its annual human rights award to activists that have participated in the Arab Spring.** The recipients of the Sakharov Prize, voted for by MEPs, were announced as the Tunisian street trader who burned himself to death in protest against corruption, an Egyptian blogger, a Libyan dissident who spent 31 years in the dungeon of deposed Libyan leader Muammar Gaddafi, a Syrian human rights lawyer and a Syrian cartoonist.

## Environment

**The top legal advisor of the European Court of Justice (ECJ) believes charging airlines from outside the EU on their greenhouse gas emissions on flights to, from and within the EU is in line with international law.** The Aviation Directive would introduce a cap on emissions from planes landing, and taking off, from inside the EU. The plan is particularly unpopular with the US as the flights would be capped for the distance of the journey, not just the part over European airspace.

**EU environment ministers met in Luxembourg** to agree their position on climate change ahead of the UN summit in November.

**Representatives from Member States have voted to delay the EU's directive on fuel quality.** The delay has been brought about by a dispute over whether oil sands are being singled out unfairly compared with other, more conventional crude oils or because their emissions cause greater harm to the environment.

**A leaked document by the European Environment Agency highlights flaws in the EU's biofuels policy.** According to the report, written by a number of scientists from across different member states, there are 'serious accounting errors' in the EU's biofuel policy. By failing to factor in that the land being used to grow biofuels is 'not producing plants for other purposes, including carbon otherwise sequestered' the EU has overestimated (albeit unintentionally) the carbon saving capability of biofuels. The EU is one of the leading advocates of biofuels policy, with an ambitious programme (the Renewable Energy Directive) for replacing fossil fuels with the supposedly environmentally friendlier alternative. However, research has uncovered a number of less desirable effects from the crops, including food poverty in developing countries as land is redirected to grow crops for biofuels instead of food. The EU Commission has dismissed the report's findings. A spokesman for the EEA said the findings could change as the document was not yet due for release.

## Common Agricultural Policy

**The European Commission revealed CAP reform proposals for 2014-20,** including a European Agricultural Fund for Rural Development (EAFRD) worth €101.2 billion. The proposals left many politicians and agricultural stakeholders disappointed and were criticised for being too vague, complicated and lacking real reforms.

**Six member states blocked the renewal of the EU Food Aid Scheme,** which helps supply free meals to some of Europe's poorest people. Britain, the Czech Republic, Denmark, Germany, the Netherlands and Sweden all voted against an additional €500 million for the scheme, which will instead be cut in size by three quarters from January, and will come to an end in two years time.

## Energy

**Plans for EU 'Project Bonds' are brought forward by the EU Commission** to begin in 2012 rather than 2014. The €230 million loan guarantees will be managed by the European Investment Bank and will be used to finance developments in transport, energy and broadband connections across the EU. A total of €9.1 billion from the EU's 2014-2020 budget will be used to upgrade Europe's energy infrastructure.

## EU states

**UK** – A former Tory Party treasurer defected to UKIP. Lord Hesketh said the decision was fueled by his anger over PM Cameron's decision to rule out a referendum on the UK's membership of the EU.

Long-serving Conservative MEP Roger Helmer announced his resignation from the European Parliament, effective at the end of this year, based partly on his unwillingness to continue supporting the Government's policies on Europe and climate change.

The UK Parliament debated and voted on the prospect of a national referendum on the UK's withdrawal from the EU. Despite a three line whip imposed by all the parties compelling MPs to vote against the motion, 81 Conservatives voted in favour of a referendum – the biggest rebellion PM David Cameron has had to face so far. Nevertheless, the motion was defeated and a referendum will not take place.

**Greece** – Austerity measures have had a dramatic effect on the country's healthcare system. According to a medical report published in Lancet, Greeks are 15% less likely to consult a doctor in 2009 compared to 2007. However, the research also finds the number of Greeks describing their health as bad or very bad has risen 14%. As well as sharp cuts in the healthcare budget meaning understaffing and shortage of medical supplies are more common, the Greek health system also incurs problems with bribes with people hoping to jump the queue. Suicide rates rose 17% in the same time period.

General strikes took place in Greece over the austerity measures. As the Greek parliament voted on the measures demanded by the EU and IMF in exchange for the bailout money, at least 100,000 people took to the streets. The protests quickly turned violent, with riot police using rubber batons and tear gas in response to protestors hurling rocks and petrol bombs. The latest package of austerity measures was passed, including cuts to public sector pay and pensions and an increase in taxation

**Poland** – The centre-right party of Donald Tusk claimed victory in Poland's parliamentary elections. He is now the only Polish Prime Minister to serve two terms in a row since the fall of communism in 1989. However, election turnout hit a record low at 47%; 20% lower than the turnout in the elections in 2007.

**Spain** - Basque separatist group Euskadi Ta Askatasuna (ETA) announce a "definitive cessation of armed activities" bringing a halt to its violent campaign for an independent state. ETA has been responsible for the deaths of more than 850 people and is recognised by the EU as a terrorist organisation. The announcement followed a period of ceasefire beginning in September 2010 and Spanish Prime Minister Jose Luis Rodriguez Zapatero called the move 'a victory for democracy, law and reason'.

**Ireland** - Ireland elected Michael D. Higgins as its 9<sup>th</sup> President. The Labour Party candidate achieved 1,007,104 votes after the fourth count to beat six other candidates in the race to become Ireland's new Head of State. The poet and campaigner received a surge in support after his closest rival, Sean Gallagher, underperformed in a public television debate when put under pressure by Sinn Fein's Martin McGuinness. Mr Higgins will take office on 11<sup>th</sup> November.

**Bulgaria** – The Bulgarian ruling party, Citizens for the European Development of Bulgaria (GERB), has won in the country's Presidential elections and been handed a majority of mayors throughout the country. Rossan Plevneliev, the President elect, won 52.5% of the vote compared to 47.2% attained by Socialist Party candidate Ivailo Kalfin. GERB politicians now hold the positions of Prime Minister, President and speaker of the parliament. Socialist Party leader, Sergei Stanishev, refused to congratulate the winner, claiming that GERB had used underhand tactics including vote buying, 'threats, pressure, even beating' to secure their success. Although these claims were denied, a suspiciously large number of invalid ballots were recorded.

## **EU candidate states**

**The European Commission unveiled its annual enlargement report. It included:**

**Montenegro** – Montenegro has been given the green light to begin accession negotiations with the EU, following significant progress made in its attempts to tackle problems of organised crime as requested by the Commission. Discussions are expected to open on chapters 23 and 24 of the *acquis communautaire*, related to judiciary and fundamental rights and justice, freedom and security.

**Serbia** – The granting of 'candidate' status has been recommended for Serbia, yet conditional on its re-opening of talks with Kosovo. This followed German warnings that if Serbia wanted to continue on the path towards EU membership it must swallow its pride over the loss of Kosovo.

**Macedonia** – Outrage was sparked by a Macedonian film about a football match. The film, "Third Halftime", depicts a Bulgarian football team as fascists, plotting to kill the coach of a Macedonian team, who happens to be Jewish. Three of Bulgaria's MEPs have called on the Enlargement Commissioner, Stefan Fule, to confront Macedonia over the upcoming film, which they claim is explicitly anti-Bulgarian.

## **Other States**

**Ukraine** –A meeting scheduled between Ukrainian Prime Minister Viktor Yanukovich, Commission President Jose Manuel Barroso and European Council President Herman Van Rompuy to discuss an EU-Ukraine trade and association agreement was called off by the EU over the unlawful prosecution of former Ukrainian Prime Minister Yulia Tymoshenko. The Ukrainian ambassador to the EU was outraged, and reports suggest Ukraine is now considering joining the Belarus-Kazakhstan-Russia customs union instead of pursuing agreements with the EU.