



## EU Updates - September 2011

### EU Institutions

**EU rules on GM content in honey.** The decision means that honey containing any traces of genetically modified products, even if they were not intentionally added, must be regarded as food produced from a GMO. The case arrived at court after a German beekeeper claimed compensation from the Bavarian government, when they banned him from selling his honey that had been contaminated by traces of GM pollen. The ruling paves the way for other farmers to bring similar compensation claims for contamination against biotech companies or governments in countries, such as that in Argentina, where GM test fields are authorised. The [German](#) beekeeper successfully argued that his honey had been contaminated by the Bavarian Government's trial fields, Monsanto, which contained MON 810 maize variety, 500 metres from his hives.

**European Commission seeks information on Audiovisual Media Services** directive, and has written to eight member states – including [Austria](#), Germany, [Cyprus](#) and [Luxembourg](#) – requesting details of how they have implemented the legislation. The Directive was intended to ensure a 'level playing field' between television and online broadcasters, however there has been some concern that it has not been fully or properly implemented by several member states. As yet, no infringement procedures have been brought against the eight countries, however [Slovenia](#) and [Poland](#) are already subject to such proceedings, and the Commission has not yet made a decision whether to bring an action against [Portugal](#).

**UK sues ECB over limitations on clearing houses**, arguing that the rules that restrict the operation of clearing houses to eurozone states contravene the founding principles of the Single Market. The City of London is Europe's largest financial centre, with more than 40% of the world's over-the-counter derivative trading and the world's largest clearing house. However, the City risks losing business as a result of the rules, which could see operations being forced to move to France or Germany.

**German MEP Martin Schulz nominated as EP Presidency candidate** for the second half of the current term, which runs from January 2012 until June 2014.

**EU Commission President Barroso gives his annual state of the union address** to the Strasbourg parliament. Focusing primarily on the continuing problems in the Eurozone, Mr Barroso called on member states to show solidarity with one another. He also reaffirmed that Greece would continue as a member of the Eurozone. Earlier in the month, [Barroso](#) travelled around several countries, including Australia, New Zealand and Singapore, to try to persuade opponents to support plans to introduce a tax on financial transactions. The EU may need the support of these countries to realise its plans for a Financial Transactions Tax (FTT), however they have been steadfastly reluctant so far, despite national campaigning groups and lobbying efforts.

### Economy

**Member states oppose long term budget.** Eight member states have responded to the proposed budget in a position paper, stating that the 2014-2020 budget takes too much money from member states at a time when they are being forced to impose stringent austerity measures on their residents, in order to tackle financial difficulties at home. The states are calling for the EU institutions to take a similar approach to their own spending, cutting public spending at the European level as well, to mirror national efforts. The budget proposals would increase long term spending by 5%, to €971.52 billion over the next 7 years. The Commission, however, has countered the criticisms, arguing that the budget is in fact a response to the economic crisis and aimed to aid member states. The signatories to the position paper include Austria, the Netherlands and Italy.

**European Commission presses for more austerity**, even though many member states have already cut tens of billions of euro from their public spending bills. An annual report by the EU executive on public finances has argued that the measures taken so far and current proposals for the future, may not be enough to resolve the present financial crisis. "Member states facing market pressures must continue to deliver on reaching their fiscal targets and take additional measures if needed", economy commissioner Olli Rehn wrote at the release of the report.

**German Chancellor calls for Treaty revisions**, as a necessary measure to ensure that the EU member states are able to escape the debt crisis, after the highest German court ruled that EU bailouts are legal. Angela Merkel has faced some criticism at home, over allegations that her Government has approved EU bailout agreements without seeking the consensus of the national parliament. At the same time, Merkel has been engaged in discussions with France, the

country's traditional ally, with the view of forging a fiscal union that would give Brussels more power over the state's fiscal policies. This move would require alterations to the Lisbon Treaty.

**Derivatives must be transacted electronically**, according to draft EU rules aimed at enhancing transparency and security. The amendments to the EU's Markets in Financial Instruments Directive (MiFID) seek to update the directive so that it current with new technologies, and ensure that all organised trading is conducted in a transparent way on regulated venues. At present, derivatives are traded principally in bilateral arrangements between banks with little openness, even though the sector is worth some €4426 trillion.

## Eurozone

**European Commission denies preparation for Greek default.** The refutation comes amid fears that Germany is preparing for such a default, following ambiguous comments from German authorities. In the meantime, the Cabinet of the [Greek](#) Government met to announce the country's reinvigorated commitment to meet their repayment and austerity targets, pledging total dedication to meet the conditionality attached to the considerable financial assistance the country has received.

**European Commission – 'No one can leave the euro'.** As Germany and the [Netherlands](#) have suggested publicly that Greece's exit from the eurozone could be a real possibility, the European Commission has stated that no eurozone member can leave the currency bloc. The announcement comes as a legal study by the European Central Bank from 2009 has come to light, arguing that while voluntary withdrawal is not an option legally, expulsion of a country remains 'conceivable'. EU economy spokesperson, Amadeu Altafaj-Tardio, insisted in a statement that there were no discussions at an EU or member state level as to the possibility of any country being forced to leave the eurozone, and argued that even expulsion is impossible. EU Commission President Barroso attempted to put the matter to rest once and for all in his state of the union address saying that 'Greece is, and Greece will remain, a member of the Eurozone'.

**Leaked briefing warns EU finance ministers of potential 'credit crunch'**, as the eurozone risks entering a 'vicious circle between sovereign debt, bank funding and negative growth'.

**'Six-Pack' budget deal agreed.** The six new laws are intended to provide some check on eurozone states' national budgets, in an effort to prevent a further debt crisis. Some details of the agreement remain to be set by the European Parliament, Polish EU Presidency and the European Commission, however the consensus already achieved is significant given the longstanding disputes that have plagued the negotiations. Under the plans, when a eurozone state creates an excessive budget deficit, the Commission will issue a warning, which must be accepted by a qualified majority of other eurozone states. If the member state in question either rejects or ignores the warning at the end of one month, the Commission can issue another caution automatically, without the agreement of other states. Ultimately, the Commission can impose a fine of up to 0.1% of the country's GDP.

**Financial Transaction Tax (FTT)** announced in Barroso state of the union address. He explained the proposal had already been approved by the college of commissioners. The UK has threatened to veto any such measure unless such a tax is levied globally.

**German Bundestag votes in favour of extending the lending capability of the European Financial Stability Facility.**

## EU Schengen Zone

**EU Commission emphasises desire to influence reintroduction of [border controls](#)** decided by individual member states. Home Affairs spokesperson Michele Cercone highlighted the fundamental principle that the Commission is keen to uphold: 'freedom of movement of persons is a common European good and decisions affecting it should be taken at EU level'. At present, member states are able individually to reintroduce such border checks, and several states have recently requested stronger control mechanisms in the Schengen area. The European Commission will introduce a proposal that will compel member states to seek the Commission's approval before they are able to reintroduce border controls in order to manage 'foreseeable events', such a major football matches. If the Commission gives the green light, the application must then secure the approval of other member states, and be passed with a qualified majority. Member states would be able to temporarily introduce border checks in the case of unforeseen events, such as a terrorist attack or other matters that could present a threat to national security.

## Technology

**Smartphone security inadequate**, according to a new report by the European Network and Information Security Agency (ENISA). Although apps are becoming increasingly popular, they are becoming common targets for cyber attackers, and their manufacturers and sellers are not taking sufficient measures to prevent their misuse.

**First two Galileo satellite-navigation spacecraft ready for launch.** Both crafts passed a technical assessment and are due to be launched on a Russian rocket in October. The Galileo project is the multi-billion euro replica by the European Commission of the US GPS system. It should be open to consumers, alongside GPS, by 2015.

**Google takeover of Motorola Mobility will not influence antitrust probe** into the internet giant, according to the EU's antitrust chief, Competition Commissioner Joaquin Almunia. Google has been the subject of the antitrust investigation since November 2010, however the Commissioner emphasised that mergers are dealt with 'in a completely separate way' to antitrust cases. The takeover will bring Google into the video and social networking markets.

## **Justice and Home Affairs Policy**

**UK opts-out of EU directive on access to lawyers.** The Ministry of Justice stated that the decision was made because signing up to the directive could risk the country's ability to investigate and prosecute offences. However, the opt-out has been criticised by civil liberties groups, who argue that it may lead to UK citizens being denied legal protections when they travel abroad. The directive is entitled EU Directive on Access to a Lawyer in Criminal Proceedings and on the Right to Communicate upon Arrest, and will mean that any suspect of signatory states will have the right to have a lawyer present when being questioned by the authorities, and that a lawyer will be entitled to verify the conditions on which the suspect is being held. These rights have traditionally been standard practice in the UK, although the same is not true for several other EU states. There is, however, concern that their application is being threatened by the recent Legal Aid, Sentencing and Punishment of Offenders Bill currently going through parliament, which could make access to a lawyer dependent on means testing.

## **Foreign Policy**

**European Commission to lead negotiations on natural gas treaty.** The EU will begin negotiations with Azerbaijan and Turkmenistan to determine arrangements to transport natural gas to its member states. The gas will be transported across the Caspian Sea from the world's fourth largest reserves, as part of a set of planned pipelines called the Southern Corridor, which will reduce the EU's dependence on Russia for gas imports.

**EU hesitates over Palestine.** Although the US has already stated that it will veto Palestine's bid for statehood at the United Nations, the EU has not yet settled upon a united stance on the matter. However, the EU has said that it will continue negotiations before taking a final decision. While member states have differing opinions, the EU is keen to reach a consensus on the matter, and recent polls have indicated that a significant majority of people in France, Germany and the UK would back their Governments in supporting the bid. If the bid is successful, Palestine will be upgraded from an 'observer' to a 'non-member state', putting it on the same footing as the Vatican. In addition, it would change the status of the relationship between Israel and Palestine, as Palestine would become a state occupied by another UN member. There are fears that, whatever the outcome of the UN bid, the application will further increase tensions in the area.

**EU imposes blanket ban on Syrian crude oil product imports,** however the move has been criticised as too little too late. Oil imports from Syria to the EU currently cost some \$3 billion per year. The measure is intended to stifle one of the country's major sources of income, in an effort to stop the violent crackdown on protestors. However, there are some holes in the arrangement, including an exception tabled by Italy, which allowed companies to meet existing contracts with Syria until mid-November. Due to the typical delay between an oil contract being executed and payment being received, this means that in practice, EU oil companies could be supplying funds to the Syrian regime well into next year.

## **Energy**

**EU companies get shares in Russian pipeline.** The CEO of Gazprom, Alexei Miller, has announced the number of shares various EU based companies will own in the South Stream pipeline project, designed to transport natural gas under the Black Sea and directly into Western Europe. EDF, Electricité de France, will take 15% of all shares, the same proportion as the German company, Wintershall. Italy's ENI will have a higher proportion, with 20% of the shares. In total, EU based companies will own 50% of the shares in the Russian pipeline. The pipeline is due for launch in 2015 and will transport some 63 billion cubic metres of gas.

**EU biofuel targets have been hit by further controversy** after a leaked document by the scientific committee of the European Environment Agency (EEA) showed the EU's policy included 'serious accounting errors'. The scientists found that the EU's policy did not account for indirect land-use changes (ILUC) that are made to grow biofuels. In areas where the land would be used to grow other plants such as forests or crops that weren't to be used for biofuels, the loss of carbon absorption was not accounted for. This unintentionally exaggerated the carbon neutral effect of biofuels.

## **EU states**

**Romania**– [Romania's](#) President Traian Basescu has agreed to host elements of a US anti-missile shield on Romania territory. Some 500 US military personnel could be stationed at the base, and the US will have total control of the anti-missile system. Russia has heavily criticised the timing of the decision, coming closely before the deployment of a US radar in Turkey. Moscow had wanted to build a joint system with NATO, using Russian expertise but not within the country's control.

**Denmark** – Denmark will have its first female Prime Minister, as former Social-Democrat MEP Helle Thorning-Schmidt won the recent elections, with socialist parties securing 89 of the 179 parliamentary seats. She is likely to form a coalition between her Social Democrats, the social-liberal Radikale Venstre, and the euro-sceptic Enhedslisten. Denmark takes over the rotating presidency of the Council of the European Union in January 2012.

**Italy** – PM Silvio Berlusconi managed to avoid a court hearing to discuss allegations of sex offences and bribery, as he had scheduled meetings with EU institution leaders at the same time. The meetings were held outside of [Italy](#) and were initiated by the Italian Government.

- Letter from the European Central Bank to Silvio Berlusconi emerged telling the Italian Prime Minister to take tough austerity measures. The letter pressed Berlusconi to reduce the country's budget deficit and to balance the books by 2013 largely through expenditure cuts. The ECB also began to buy Italian bonds in order to reduce the country's cost of borrowing.

**Germany** –Senior German politicians have caused widespread concern by speaking openly about the possibility of a Greek default, days after Germany's most senior official at the European Central Bank, Jürgen Stark, resigned from his position. Vice Chancellor and Economy Minister Philipp Roesler was among those publicly discussing Greece's bankruptcy, as well as General Secretary of the Free Democrats Party Christian Lindner, who even went so far as to postulate on Greece leaving the euro. In addition, former Foreign Minister Joschka Fischer openly discussed the possibility that the entire eurozone could collapse. Having continuously emphasised the importance of Greece meeting the conditions of its bailout package, the comments are likely to ramp up the pressure on Greece to comply.

- In another blow to the German Chancellor, the opposition party, the Social Democrats, have won the regional elections in the home state of Angela Merkel, Mecklenburg-Western Pomerania. Merkel's popularity has been fading rapidly, among growing unease over the handling of the euro-crisis and Germany's commitment to the Greek bailouts. The Christian Democrats, Merkel's party, lost more than 5.5% of their vote compared to 2006 figures, while their junior Coalition partner, the Liberal Free Democrats, fell to just 2.7% of the total vote, meaning that they failed to secure the 5% needed in order to enter the state legislature.

**UK** – 100,000 people have signed a petition calling for a referendum on membership of the EU, including MPs from both the Conservative and Labour Parties. Conservative MPs will now meet as a new umbrella group, to discuss their criticisms of the EU and set out how they would like to redesign the UK's relationship with the bloc in future. However, the move has been criticised by other politicians, including the former Deputy Prime Minister Lord Heseltine, who believes that withdrawing from Brussels would be particularly unwise at this time of economic crisis.

**France** – France has come out in strong opposition to the EU Counter-terrorism chief, Gilles de Kerchove, after he stated that the unrest in Libya had increased the terror threat in Europe. De Kerchove claimed that there was a possibility that Al-Qaeda had appropriated arms that had been looted during the recent Libyan uprising, however the claims were firmly disputed by French Defence Minister Gerard Longuet. He emphasised that France, as well as other EU states, were implementing measures to prevent the further spread of armaments.

**Austria** – Although not directly implicated himself, former Austrian Chancellor, Wolfgang Schüssel, has announced that he will leave Parliament, amid a corruption scandal involving Telekom Austria. Schüssel denied any wrongdoing, but emphasised that his resignation was to facilitate a corruption investigation free from political influence. Allegations have emerged in the Austrian media that significant funds passed through slush funds to politicians and lobbyists during his time in office.

**Lativa aims to join eurozone in 2014.**

## **EU candidate states**

**Croatia** – The English text of [Croatia's](#) Accession Treaty has been agreed, and plans have been made for the document to be signed in early December.

## **Other States**

**Kosovo** – A negotiator from Kosovo who had travelled to Brussels to discuss an EU deal on customs stamps was pelted with tomatoes as she arrived back in the country. Edita Tahiri arrived amid large scale protests at the airport, which required the presence of riot police, and forced the Deputy Prime Minister to hide in the airport for more than an hour until clashes between special police officers and demonstrators had subsided. In total, 34 people were arrested and many more were beaten, including two MPs. Some of the demonstrators required medical treatment after the confrontation. Tahiri was targeted as the opposition party, who staged the protest, are concerned that the EU and Kosovan Government, led by Prime Minister Hashim Thaci, could grant some autonomy to ethnic Serbs in the north of the country. Under the new agreement, all goods marked with a 'Customs of Kosovo' stamp will be able to travel across the border from Kosovo to Serbia.

**Switzerland** – Swiss voters in the canton Vaud have rejected proposals to grant foreign residents the right to vote in cantonal elections, despite the fact that the majority are from other European countries. The plans would have given the vote to foreign nationals who had been resident in Switzerland for more than ten years, of which at least three had been spent in the Vaud. The Vaud would have been the first canton to permit foreign national residents to vote in these elections. Almost three quarters of the foreign residents in the canton come from countries that are EU member states, and an additional 10% come from other European countries. The most common nationalities are Portuguese, French, Italian and Spanish, while non-EU nationalities common in the Vaud include Serbian and Bosnian.

**Belarus** – President of Belarus, Alexander Lukashenko, has announced that he will free all political activists from prison by the start of October this year, in an effort to rebuild the country's broken relationship with the EU.

**Ukraine** – The Ukrainian President, Viktor Yanukovich has announced that visa-free travel to Europe will be one of his top priorities.

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