



EU Facts Update: developments in the EU (September 2010)

EU Institutions

EU Commission President José Barroso gave his first 'State of the Union' speech to the EU Parliament (EP) on 7 September, following the end of the Parliament's summer recess. A proposal to fine Members of the EU Parliament (MEPs) who didn't attend the speech was strongly criticised. The EP said it would look for other ways to improve attendance (including removing the right-to-speak from MEPs that don't turn up). In the speech, Barroso set out aims for the coming Parliament. He also said the EU's economy was recovering from the global downturn, but that economic improvement was uneven across EU states.

EU failed to upgrade its status in the United Nations (UN). A draft Resolution that sought to allow EU President Van Rompuy, and EU Foreign Affairs Chief Catherine Ashton, to address the UN chamber was narrowly defeated by 76 to 71 votes in the UN General Assembly. Further consideration of the EU's proposed changes to speaking rights may be postponed until autumn 2011.

EU budget – Polish President Bronislaw Komorowski said cuts to the EU budget should not reduce funding to poorer states (mainly in Eastern Europe). The UK's EU budget rebate was in doubt when the EU budget commissioner, Janusz Lewandowski, said it was 'no longer justified'. However, the UK Chancellor, George Osborne, insisted it is 'fully justified'. The UK's rebate, (negotiated in 1984 by then UK Prime Minister Margaret Thatcher) gives the UK a refund of roughly two thirds of the difference between the money it puts into the EU, and the funding it gets in return.

Council of the EU Presidency – Belgium (the current holder of the EU's 6-month rotating presidency), worked towards establishing an EU-wide public prosecutor to 'improve judicial co-operation and co-ordination of criminal investigations within the EU'. However, the new prosecutor was resisted by some member states, including the UK, which raised concerns that the prosecutor could overrule national investigators. Hungary and Poland (the next two holders of the EU's rotating presidency) set out mirroring priorities, calling for greater cooperation between central European countries.

17 ex-commissioners received transitional pay from the EU despite having another job and no longer working for the Commission. The transitional pay package amounts to between 40-65% of their former salaries and is designed to allow commissioners to find a job with equal pay to their former role. It can be claimed by ex-commissioners for 3 years after they leave office.

EU Lobbyists' Register criticised for inaccuracies. The register lists organisations that work to influence the EU decision making process. Some mistakes resulted from misunderstandings e.g. companies entered their annual turnover instead of their EU lobbying budget. There were calls for a single lobby register to be set up for all EU institutions.

EU Economy

European economy strengthened slightly. However, the International Monetary Fund (IMF) warned that the effects of the global economic downturn will not end until levels of employment improve across the EU.

EU-wide anti-austerity strikes and protests - thousands of workers took to the streets across the EU on 29 September as part of a co-ordinated demonstration against national and EU anti-recession strategies. There were protests in Poland, Spain, Latvia, Greece, Italy and Portugal.

EU economic governance - EU Council President's economic governance taskforce presented a report to EU leaders at a European Council summit on 16 September. The taskforce was set up in March 2010 to examine legal ways to strengthen economic co-ordination among member states. Furthermore, EU finance ministers agreed a system of 'European semesters' (a 6-month period every year when member states' economic and budgetary policies will be reviewed by the Council and Commission). Ministers also agreed a system of 'mutual supervision' allowing states to review each others' national budgets. The UK secured an 'opt-out' from the latter - the UK Parliament will examine the UK budget before it is made available to the EU and member states.

New EU financial supervisors backed by MEPs after months of negotiations. The new system of financial watchdogs is designed to prevent a financial crash turning into an economic downturn (as happened in 2008). EU-wide financial risks will be monitored by the European Systemic Risk Board (ESRB), headed for the next 5 years by the chief of the European Central Bank. Three new European Supervisory Authorities (ESAs) will regulate the banking, insurance and securities sectors from January 2011: the European Banking Authority (EBA) will be based in London; the European Securities and Markets Authority (ESMA) in Paris; and the European Insurance and Occupational Pensions Authority (EIOPA) in Frankfurt. The ESAs will work to spot weaknesses in financial systems across the EU and will have the power to intermeditate in cross-border financial disputes. The ESAs will have powers over national authorities in several key areas, including the power to overrule national authorities, to ban risky 'toxic' financial products and to directly impose on financial firms in 'emergency' situations. Decisions within the supervisors will be taken by simple majority voting with all states having equal voting weight, regardless of the size of their financial sectors.

Eurozone

The **Eurozone economy grew by 1%** (April- June). The German economy, which grew by 2.2%, helped to drive the Eurozone's overall growth. The Eurozone grew faster than the US economy, which grew by 0.4% during the quarter.

Sanctions proposed for Eurozone states that break debt and deficit rules. Proposed enforcement measures to keep member states' spending in check include: Eurozone states with public debt higher than 60% of GDP will be fined if they don't reduce their excess over this figure by a yearly 5% for the following three years; countries that persistently fail to meet the Stability and Growth Pact criteria will be fined. It was also suggested that sanctions could be imposed on countries with trade or current account imbalances. The EU hopes the proposed sanctions will be adopted by 2011. It was reported that Germany wanted changes to economic governance to be applicable to all EU states, rather than just Eurozone states (the UK opposed this).

Continued legal challenge against Eurozone bailout in German Federal Constitutional Court - 5 German professors challenged the legality of the €1 trillion Eurozone bailout package for Greece agreed jointly by the EU, the ECB and the International Monetary Fund. The professors argue that the bailout was illegal on three grounds: it violated the 'no bailout' clause in the EU Treaties, it violated the ECB's own rules (through the ECB's decision to buy government bonds) while the IMF also violated its own rules through its involvement.

Euro interest rate remained at 1% for the 16th consecutive month. The rate was decided by the [European Central Bank](#) (ECB), despite Eurozone GDP growth predictions for 2011 being positive.

Concern about Spain, Portugal and Ireland's economies continued. For example, Ireland's economy suffered a surprise contraction during the second quarter of 2010, making it harder to cut its large public deficit. The Irish Government was forced to pay €45 billion to bail out all its embattled banks, which will see the country's annual budget deficit rise to 32% of GDP this year. The cost of the bailout was calculated at €22,500 for each of Ireland's 2 million taxpayers.

Hungary said it will be ready to join the euro in 2014 or 2015.

[Single Market](#)

New Single Market Act prepared by the EU Commission. The Act is designed to boost job creation and stimulate growth. It encompasses 30 new legislative proposals in areas like taxation, counterfeiting and small businesses.

EU to adopt new Basel rules (for banking) in 2011 – The EU Commission announced plan to adopt new rules for how much capital banks must hold next year after the Basel Banking Committee agreed to higher capital standards.

Imperial Tobacco Limited signed an agreement to pay €200 million to the EU and member states over the next 20 years to combat cigarette smuggling.

Genetic modification (GM) decision - EU farm ministers discussed the EU Commission's proposal to devolve decisions on GM crops cultivation to the national level. The EU suggested allowing states to opt-out of growing GM foods if they accept a blanket agreement on states across the EU being allowed to cultivating certain GM foods. Some states raised serious objections.

EU patent - Spain joined Italy in its opposition to the EU patent being translated only into English, French and German. Debate and disagreement on the patent has lasted for more than a decade.

EU rules on animals used in scientific and medical research tightened. Debate about how to protect animal welfare without hindering scientific research has lasted for 2 years as the EU sought to update regulations from 1986. Under the new legislations, experiments on 'great apes' (chimpanzees, gorillas and orangutans) will be banned. EU states will have two years to comply with the rules, which come into force in 2012.

[Social Policy](#)

EU's Working Time Directive (WTD) – concern about the impact on the UK NHS. There were claims that junior doctors are dropping out of their NHS training after 2 years because the WTD imposed a cap on their working time to 48 hours a week, limiting their exposure to 'real medicine'. In response, UK Health Secretary Andrew Lansley announced that he would seek to negotiate an opt-out for British junior doctors.

Call for EU funds to be simplified - 4 EU Commissioners recommended amalgamating the European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development and European Fisheries Fund.

Stronger enforcement of intellectual property rights supported by the EU Parliament – MEPs called for tougher application of intellectual rights and for copyright protection to be harmonised at the EU level.

2010-15 Gender Equality Strategy unveiled by the EU Commission. An annual 'Gender Equality Dialogue' will assess the implementation of the strategy. EU justice commissioner Viviane Reding supported setting quotas requiring businesses to hire more women. She said that such a policy would be considered after meeting with the chiefs of European companies in 2011.

EU Court of Justice (ECJ) – ruled against gambling restrictions in Austria and Germany, stating that 'German rules on sporting bets constitute a restriction on the freedom to provide services and the freedom of establishment.' The ECJ ruled that it was illegal for Austria to only allow companies with their HQ in Austria to operate their casinos because it goes against the EU rule of freedom of establishment between member states.

[Foreign and Security policy](#)

EU External Action Service (EEAS) - EU foreign policy Chief Catherine Ashton announced the names of the first EU ambassadors who will be charged with representing the EU's interests abroad. MEPs in the foreign affairs committee said they will interview the EU's new ambassadors to China, Georgia, Japan, Lebanon and Pakistan to check if they are suitable. Critics were angry that the vast majority of posts went to men while new member states remain under-represented. There were suggestions the EP could purposely delay agreeing the budget in order to influence the further appointments to the new EEAS. Catherine Ashton was also forced to ask for an 8% increase for the EEAS budget, to cover the cost of wages and administration (the EEAS's administrative costs were predicted to overrun by £29 million to reach £399 million). MEPS called for more involvement in the EEAS budget to ensure that spending is transparent and accountable.

EU arrangement of diplomatic meetings criticised - Catherine Ashton was criticised for holding a bilateral summit with China on the same day as a similar meeting with South Korea as some said it didn't give adequate time to discuss many pressing issues. Ashton was also criticised by French Foreign Minister Bernard Kouchner for not attending talks between Israel and Palestine, which took place in Washington.

EU Energy Policy

The Nabucco gas pipeline received backing - the European Investment Bank (EIB), the European Bank for Reconstruction and Development and the World Bank said they might lend the pipeline project €4 billion (half of its total cost). The EU is contributing up to €2 billion. The pipeline is due to supply gas from Turkey to Austria from 2014.

MEPs agreed to improve EU's ability to handle gas-supply crises – the EU Parliament backed a draft law that requires European gas companies to have enough gas to maintain supplies to reduce the impact of any future Russia-Ukraine-type gas cut-offs (price disputes between Russia and the Ukraine have caused major disruptions to gas supplies across the EU in recent years). The new law states that a new inter-connection infrastructure must be built by 2013 to allow gas-sharing, so that by the end of 2014 member states will have to guarantee at least 30 days' worth of supplies to households under normal conditions and seven days' worth if winter temperatures fall to extreme lows. Also, if at least two member states declare national emergencies, the European Commission would be allowed to declare a 'Union emergency', obliging governments to co-ordinate policies and to ensure joint action with relevant non-EU countries.

Justice and Home Affairs

European Arrest Warrant (EAW) to be reviewed by UK as part of a review of the UK's 2003 Extradition Act. The number of people detained in Britain under an EAW rose by more than 50% last year.

The European Law Enforcement Agency (Europol) and the EU's anti cyber-crime agency (Enisa) proposed to work together to combat online threats and computer hackers.

Environmental policy

EU 2020 environmental targets - EU energy ministers met to discuss revisions of the 2006 energy efficiency action plan. One controversial issue was whether to make the EU's energy efficiency goal legally binding (the EU has pledged to source 20% of its energy from renewable sources by). The world's biggest offshore wind farm (worth £780 million) opened seven miles off the UK coast, as part of efforts to meet the 2020 targets. However, the EU will need to spend €1 trillion upgrading the EU electricity grid if it is to meet its climate change goals, according to a leaked document from the Commission.

Food waste collection plans dropped by the UK Government. The plan had involved households collecting waste separately, in order to ban certain materials (food, paper and metals) going to landfill, in order to meet EU targets.

EU sued by environmental lawyers (a group called Client Earth) over its alleged attempts to restrict access to information on EU biofuels policy. The lawyers claimed the biofuels policy could cause side-effects equal to as much as 1.5 billion tonnes of greenhouse gases. The EU's biofuels policy was also criticised by the World Bank, which said that EU and US biofuels policies have caused a 'land grab' (rush for land in developing countries), therefore reducing the land available to grow food.

Extension of Energy labels proposed. The EU Commission recommended that televisions be marked with a label indicating how much energy they consume when the existing labels for refrigerators, dishwashers and washing machines are updated.

The Emissions Trading Scheme (ETS) has been damaged by the global recession. Forecasts about how many CO² emission permits would be needed were made before the recession led to lower production levels. Therefore, companies have ended up with surplus CO² emission permits. The permits can be 'rolled-over' to 2013-20, so companies will then have an additional stock of emission 'allowances' to be used for CO² production, allowing them to emit more CO² than anticipated. Critics said this will signal the failure of the ETS, which was intended to reduce CO² levels in industry.

External Trade

EU-South Korea free trade agreement compromise reached. The deal had been in doubt because some EU states demanded that the deal include new safeguards for European industry, for example Italy vetoed the agreement because it said it didn't give European carmakers time to prepare for the lowering of trade barriers. However, a compromise was reached which gives Italy an extra six months to prepare its auto industry for the opening-up of the EU market.

New 'strategic partners' – EU Foreign Affairs Chief Catherine Ashton indicated that Egypt, Israel, Indonesia, Pakistan, Ukraine and South Korea could join the EU's existing list of privileged or 'strategic' partners.

EU member states

UK - the Coalition Government announced details of a 'referendum lock', which would mean that any future transfers of powers to the EU must be subject to a referendum in the UK. The 'referendum lock' will be brought before Parliament in the *Europe Referendum Bill* in November. The 'referendum lock' had been promised in the Conservative manifesto. However, backbench Conservative MPs argued that the lock is undermined because parts of the Lisbon Treaty (2007) are self-amending, and so MPs wouldn't be able to challenge them. Conservative MEP, Dan Hannan, said the transfer of powers to the EU is a 'major' constitutional issue and he called for the Government to hold a referendum on whether the UK should stay in the EU.

France's 'voluntary' repatriations of 1,000 Roma was criticised by the EU (the EU fundamental rights commissioner, Viviane Reding, drew criticism when she compared France's policy to the Holocaust). At first, the EU Parliament called for the immediate 'suspension of all expulsions' but didn't recommend sanctions, although French President Sarkozy and EU Commission President Barroso had a disagreement about the expulsions at an EU summit and the Romanian President Traian Basescu told the French

President to 'try to stop' the expulsions. However, later in the month, when a leaked document proved that French police had been instructed to specifically target Roma, the EU Commission questioned the legality of France's actions and said it would start a legal procedure against France and several other member states for failing to transpose the 2004 EU directive on freedom of movement into national law (following France's actions, Italian police resumed the dismantling of Roma camps near Milan and Rome). The Commission's first step was to request 'more information' from France by 15 October to prove that its policies complied with EU laws guaranteeing the free circulation of people.

Belgium - talks to establish a coalition government collapsed again after Socialist leader Elio Di Rupo resigned from his role as mediator. The talks have been very difficult because the country is culturally divided between the Flemish speaking north and the French speaking south (disagreements between the Flemish and French parties led to the Government's collapse in April 2010). An annual Flemish demonstration took place around Brussels - Flemish cyclists circled Brussels as a reminder that the city is surrounded by Flemish Flanders.

Sweden - a general election saw conservative Prime Minister Frederik Reinfeldt win a second term in office. However, his 4-party centre-right coalition failed to secure a majority because the far-right Sweden Democrats increased their share of the vote. Reinfeldt said he would invite the Green Party to join the coalition (the Greens had previously been allied with the opposition Social Democrats).

Italy - tax breaks given by the Government to the Vatican City were investigated after claims they violate EU competition rules.

The Netherlands - 2 Dutch centre-right parties (Liberal Party (VVD) and the Christian Democrats (CDA)) concluded negotiations to form a minority government with the parliamentary support of the anti-Islam *Freedom Party*, led by Geert Wilders. VVD leader Mark Rutte is expected to become Prime Minister. The new *Freedom and Responsibility Coalition* promised to introduce a bill to ban the burka in public, as well as tightening immigration laws.

Enlargement States

Turkish referendum on constitutional reform - a majority of citizens voted to weaken the influence of the military. EU Foreign Ministers met to discuss Turkey's EU accession progress. They urged the ruling AKP party to enact further human rights reforms and said the EU would watch the implementation of reforms closely. However, some in Turkey expressed disappointment at the slow rate of progress on Turkey's EU accession (it became an official EU candidate in 2005) and Turkish ministers reiterated that the country wants full EU membership and would never accept a looser partnership relationship instead.

Other States

Afghanistan - the EU sent money and diplomats to try to encourage more involvement by women in the country's elections.

Australia - a deal to stop Australian winemakers using the names: Champagne, Prosecco, Port and Sherry on wines to be sold in the EU came into force on 1 September (the deal was originally signed in December 2008).

Belarus - the EU reinstated a travel ban on Belarusian President Aleksander Lukashenko and 41 of his officials following accusations of human rights violations ahead of the presidential election, which will be held on 19 December 2010. Opposition parties called for EU election support after the suspicious death of Oleg Bebenin, a journalist and founder of the opposition website Charter '97. EU Foreign Affairs Chief, Catherine Ashton, insisted the Belarusian Government investigate the death.

Bosnia and Herzegovina - moved closer to joining the EU's [Schengen zone](#) (allowing visa-free travel) when its parliament extended the powers of the head of an anti-corruption agency.

China - the fifth China-EU strategic dialogue saw the EU's High Representative for Foreign Affairs, Catherine Ashton meet with Chinese Foreign Minister, Yang Jiechi. The EU pledged to develop bilateral economic and political ties with China. However, relations were strained when China claimed the EU has been unfairly subsidising potato starch exports, and MEPs called on the EU Commission to ban the importing of goods manufactured in Chinese forced labour camps (Laogai).

Libya - the EU said it doesn't intend to pay the €5 billion per year requested by Libyan leader, Muammar Gaddafi, to help reduce illegal immigration into the EU. However, the EU Commission said it is open to negotiations on this issue.

Pakistan - the EU discussed creating a new trade deal with Pakistan after the country suffered disastrous floods. However, negotiations on the deal were fraught because some EU states worried their textile industries could be hurt by a new trade deal.

Serbia accepted a compromise United Nations (UN) resolution on Kosovo's declaration of independence in 2008. Serbia had previously said it would never accept Kosovo's independence, but the compromise involved Serbia and Kosovo holding EU-backed talks. However, later in the month the first president of the Republic of Kosovo, Fatmir Sejdiu, resigned after the Constitutional Court ruled that he had violated the constitution by holding two positions (president of the country and leader of the Democratic League of Kosovo (LDK) party). The EU hoped his resignation wouldn't hinder talks between Kosovo and Serbia.

USA - EU finance ministers said they wouldn't reduce the number of European seats at the executive board of the International Monetary Fund (IMF) despite pressure from the United States. The US introduced a \$14 entry fee for travellers from the EU (the EU Commission considered possible retaliatory measures). There was concern that the long-debated 'SWIFT agreement' could be undermined by US plans to track and hold credit card transaction details for up to a year. Under the SWIFT agreement, which was enacted in August, the US can request EU citizen's bank details from the Society for Worldwide Interbank Financial Telecommunication (Swift) if they are relevant to a particular terrorist investigation and if the request is approved by Europol.

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