

EMiL news

May produced a new, coalition, government so everybody is watching carefully for policy signs, not least on its attitudes towards the EU. The presence of the Lib Dems in the coalition has created optimism that the Conservatives' declared euroscepticism will be watered down. The appointment of David Lidington, who is considered a euro-pragmatist, instead of Marc Francois, a convinced eurosceptic, as Europe Minister was a welcome development. But lots remains to be seen and we will attempt an early look into the new government's attitudes towards the EU.

June will feature the EMiL's next event, this time in association with the Premier League. We will debate how EU rules on the free movement of labour have benefited British sport in general and football in particular. The event will be followed by a reception and screening of one of England's World Cup games. For more details see the **Dates for the Diary** section at the bottom of this Newsletter.

The Committee

Early signs of new UK government EU policy.

The new coalition government has kicked off its engagement with the EU with a series of positive gestures. Shortly after returning from his first Washington trip as Foreign Minister

William Hague wrote an [article for pro-EU website Europe's World](#), arguing in favour of a constructive relationship with the EU, recognising the EU's importance in promoting the collective interests of its Member States.

The new Chancellor George Osborn adopted a similar tone in an [interview with the FT](#) on 16 May, stating how important is early UK involvement in the EU policy-making debate because of the EU's central role in financial services legislation. His performance at his first meeting of Finance Ministers was characterised as constructive and demonstrated the new government's wish to chose its fights carefully, focusing on the upcoming debate on the new ESAs rather than the vote on the AIFM Directive.

The AIFM (or hedge fund) Directive was seen as a lost battle, with the UK Government finding itself isolated in the Council. On the other hand the debate on the new European Supervisory Authorities is not over yet so the new government decided to invest its political capital on that front.

Prime Minister David Cameron picked Paris and Berlin as his first destination as British PM. He spoke of the need for a stronger EU and a stronger Eurozone but, even though the language he used was as constructive and engaging as the one employed by his Chancellor and his FM, he did not miss the opportunity to remind his French and German partners that the UK will not support any further transfer

of powers to the EU. He was referring to speculation that Eurozone leaders will seek to amend the EU Treaty to cater for necessary structural and institutional changes in the way the common currency is governed.

A further sign of trouble brewing emerged when Michel Barnier, Internal Market (and financial services) Commissioner, unveiled plans for standalone, national, bank resolution funds ([Communication on Bank Resolution Funds](#)). Mr Osborne, echoing views expressed by US Treasury Secretary Tim Geithner who was in London on an official visit, argued against the creation of such funds, stressing that he would rather see a bank levy go straight into the government budget, available to ease member state strained finances. France seems to support the proposed tax in principle but is sympathetic to the UK position, whereas Germany is in favour of the Commission proposals. The issue will be debated by EU leaders ahead of the next G20 Summit, scheduled for the end of June.

Another point of early friction is some of the proposals made by van Rompuy's taskforce on economic governance, especially the suggestion that the Commission and Member State governments should scrutinise their peers' draft budgets before they are presented for approval to national parliaments. The rationale behind the proposals is to ensure that imbalances within the EU are addressed by debating revenue and spending decisions in all member states before they become law. The authors of these proposals see such a move as a necessary step in ensuring that the current budget crisis does not happen again but the UK government sees it

as an attack to member state sovereignty and was quick to declare its firm opposition to such a move. The issue will be debated in successive European Council meetings before any decisions are adopted, setting the scene for an early clash between the new UK government and its EU partners.

With more challenging issues coming up, like the reform of the Common Agricultural Policy and debate on the next 7 year EU budget, the government's willingness to engage constructively with the EU will be tested and so will the resilience of the coalition between the Europhiles Liberal Democrats and the eurosceptic Conservative.

Petros Fassoulas

[EU Foreign Policy in \(Reversible\) Funk.](#)

This has been a challenging time for the EU's external relations. Perhaps expectations were exceedingly high after the passing in to force of the Treaty of Lisbon in December 2009, but there has been a general consensus the Lisbon era has gotten off to an inauspicious start. New leadership roles are still being defined and there are tensions between the member states and the EU institutions about the way going forward. There have also been some public setbacks, including the cancellation of this year's EU-US and "Union for the Mediterranean" summits, and a general sense of toothlessness on issues ranging from Iran's nuclear programme to the crisis in Gaza.

However, the most egregious blow to EU external relations has been the eurozone crisis, which has extended

beyond economics, challenging European solidarity and provoking public squabbles between the members about the future of the euro. Worse yet, it has been interpreted by many of the EU's detractors as proof of the unsustainability of the once admired European social model. This diminution of the EU's prestige threatens the very essence of its self-style role as, in the words of President of the European Commission José Manuel Barroso, a "force for good". How, the logic would subsequently go, can the EU now preach and expect to be listened to when its own house is clearly not in order?

While these challenges are a cause for real concern, the positive news is they are not permanent and should not be debilitating if the EU and the member states a) embrace the new Lisbon foreign policy tools at their disposal and b) move forward in a pragmatic way. Indeed with respect to Lisbon, Catherine Ashton, the High Representative for Foreign Affairs and Security Policy, is beginning to fit more comfortably into her role and the murmurings from the peanut gallery are lessening in intensity. Herman Van Rompuy, the President of the European Council, is already asserting himself, with a successful recent mission to Russia and a forceful role coordinating the EU response to the euro crisis. We can thus observe the slow diminution in relevance of an institution that normally baffles the EU's foreign partners: the six month rotating presidency of the Council of the EU. Last but not least, a blueprint for the new European External Action Service is closer to fruition, which should streamline the functioning of EU diplomacy in the field.

Pragmatism is not a very inspiring word but nonetheless vital, especially if it means increasing cooperation when it is suitable and continuing to focus on areas in which you do best. Recall the EU's very architecture is premised on pragmatic consensus between 27 member states. Furthermore, and despite the occasional bickering, there is a general acceptance that areas for cooperation in foreign policy are growing, rather than shrinking. In defence for example, a historically sensitive issue, there are calls even from doyens of the British Conservative party (Malcolm Rifkind) for increased harmonisation and joint procurement between the UK and French militaries. The whole can indeed be greater than the sum of its parts!

Staying with the idea of pragmatism, if the EU is to surpass its recent crises and remain a relevant player in the world it will have to continue its often unheralded work, supporting regional initiatives such as the African Union's Peace and Security Council, championing human rights initiatives, engaging in backroom diplomacy and advocacy, easing the transition of developing countries into the global trading community with development funding, etc. Finally, by diligently upholding its values in its behaviour abroad, and carefully utilising the new foreign policy tools slowly coming online, the EU will continue to play not only a relevant role abroad but even an expanding one. The clouds will eventually part!

John Kotsopoulos

EU to propose rules on CRAs, naked short-selling and CDS.

The EU continues its effort to redesign the landscape of financial services regulation and reign over certain financial products that contributed to the credit crunch and the recent debt crisis in Europe.

The European Commission has put forward proposals to revise EU rules on the supervision of Credit Rating Agencies. Under the new rules one of the new European Supervisory Authorities (set to come in to force early next year), the European Securities and Markets Authority (ESMA) will oversee credit rating agencies, taking the supervision of such entities from the national to the European level. The new rules aim to improve transparency and give the new authority more tools to supervise credit rating agencies and their decisions on a day to day basis. The idea to set up a European credit rating agency is also on the cards, with possible proposals to come in the autumn. There are currently only 3 credit rating agencies, all of them American.

In a separate move French President Sarkozy and German Chancellor Merkel wrote jointly to the European Commission, encouraging it to speed up efforts to regulate naked short-selling and Credit Default Swaps (CDS). Naked short-selling is a speculative practice that involves the sale of an asset which the trader does not own. CDS is a form of insurance against the possibility of companies or nations defaulting on their debt. Both products were used extensively to speculate against the solvency of companies and states during the credit crunch and the recent sovereign debt

crisis. They are seen as factors that exaggerated the effects of the crisis.

The Commission is already drafting such rules, with its proposals due to be published in October but the Franco-German letter is expected to push the timetable forward with proposals due at some point this summer, according to a Commission spokeswoman.

The letter is viewed as an effort by the two dominant EU Member States to paper over the recent emergence of differences over how to handle the eurozone debt crisis. The personal relationship between the two leaders is said to be difficult, with the two employing very different leadership styles. This move is an effort to put policy and personality differences behind them and present a common front in areas where there is agreement between the two capitals.

Petros Fassoulas

EU commits climate change aid for developing countries.

EU Finance Ministers adopted in mid May a report outlining the EU's priorities on climate aid for developing countries. The report confirms the €2.4 billion a year in "fast-start financing" between 2010 and 2012 the EU pledged to offer poor countries ahead of the December Copenhagen conference. The EU figure is about a third of the global commitment, making the Union the biggest single donor by far. In a statement the Commission said that it was on track to meeting its pledge, with confirmed sums from member states to date adding up to €2.39 billion for 2010 and €7.55bn for the entire 2010-2012 period, topping the EU's own commitment of €7.2bn. The non-binding Copenhagen Accord

agreed in December speaks of a global sum of \$30 billion in new and additional funding for the period 2010-2012.

International climate finance to help the poor countries deal with the effects of climate change is central in efforts to build the trust between developed and developing countries necessary to reach a global agreement on tackling climate change.

The EU has been criticized though for not making absolutely clear whether its contribution will come in addition to existing development aid commitments. The Commission has tried to assure NGOs and developing countries that funding will come from its budget reserves rather than money that had originally been programmed for 2010-2020. But even though the Copenhagen Accord states that the financing should be "new and additional" the EU has not adopted a common position on what the baseline for additionality should be, allowing each member state to come up with its own definition.

The EU was also criticised for committing two thirds of the money to fund mitigation and just 1 third to fund adaptation. The Copenhagen Accord calls for a balance between mitigation and adaptation.

Negotiations continue with another round of climate talks between officials to be completed in Bonn on Friday 11 June. These discussions are in preparation of the next climate conference to take place in Cancun, Mexico, from 29 November to 10 December this year.

Petros Fassoulas

Dates for the Diary.

- **14 June, EMiL AGM**, 18.00 at The European Commission Representation in the UK (8 Storey's Gate, SW1P 3AT).
- **18 June, EMiL - Premier League event:** Playing the Game across Borders – The EU and British Sport. 18.30-21.30 at the Hospital Club (24 Endell Street WC2H 9HQ).
- **19 June, Social Event** at Stein's German beer-garden <http://www.stein-s.com/> (Rear of 55 Petersham Road, Richmond Towpath, Richmond, TW10 6UT – Click link for [Map](#)).