



Merry Christmas



EMiL news

As 2010 is coming to a close EMiL reflects on a successful year full of activities and interesting events, organised with a host of partners, with the participation of expert speakers and decision-makers and attended by a plethora of guests, both EM members and not. These activities have solidified the presence of the European Movement in London as a reliable and impartial commentator on EU affairs but our activities do not stop there. We have continued to visit schools, argue in favour of the merits of European integration, comment on policy developments and inform the debate around Britain's continuing membership of the EU. We will of course continue our work next year and we look forward to your continuing support.

In the meantime we would like to wish you all Merry Christmas and a Happy New Year!

The European Movement in London.



European Movement in London

A homage to Tommaso Padoa-Schioppa - father of the euro.

It is perhaps ironic that Tommaso Padoa-Schioppa, considered by many as one of the 'fathers of the Euro' died on Saturday 18 December 2010, hours after the European Council took the historic decision on the outline of a permanent bail-out fund for the Eurozone.

Padoa-Schioppa had a distinguished career, as former Italian Minister of Finance under the Prodi Government to, more recently, an advisor to the Greek Prime Minister, George Papandreou. However, the greatest part of his career was devoted to the EU and, in particular, he was driven by a belief in the 'European project' - promoting the concept of the European Monetary Union (EMU) even before it became a reality.

In 1988, Padoa-Schioppa worked for the Delors Committee, formed to study, and eventually design, the economic and monetary union. The Committee developed a three-stage implementation plan that was incorporated in the 1992 Maastricht Treaty that launched the single currency.

Padoa-Schioppa defined the euro as "a currency without state" and saw monetary integration as an irreversible process – heralding a warning to those who advocate the EMU's disintegration as a solution to the euro crisis.

By 1998, on the eve of the introduction of the euro, Padoa-Schioppa was aware of the challenges ahead for the currency and as a member of the Executive Board of the ECB he declared: "I am convinced that powerful

factors will make the euro a stable and reliable currency. However, it is hard to predict where the difficulties will lie." Little did he know that part of what caused the crisis was the absence of a permanent bail-out fund.

2010 has proved to be a strenuous year for the euro and perhaps for the EU as a whole, but it paved the way for EU policy makers to fill some of the gaps inherited by the existential problem of the euro as a 'currency without state'. Let us hope that the vision and understanding of Padoa-Schioppa's 'European project' will remain a vivid legacy and a source of inspiration for all future EU leaders.

Laura Bonacorsi

European Council agrees the establishment of permanent support mechanism for the Eurozone.

The European Council reached agreement during its 16-17 December Summit on the creation of a permanent support mechanism for the Eurozone. Also in a sign of unity and determination EU Prime Ministers and Heads of State said that they are prepared to do whatever it takes to protect the euro.

The establishment of the European Stability Mechanism (ESM), will provide from June 2013 a fund from which any of the 16 eurozone states can draw financial assistance in the event of a crisis. It will replace the temporary European Financial Stability Facility created in May 2010 to bail out Greece (and subsequently Ireland). The ESM will only require minor Treaty changes, with 2 lines of text to be added to an already very short Treaty article.

Strict conditions will be attached and the mechanism will be used only if "indispensable

to safeguard the stability of the euro as whole".

It was also decided that the existing €746bn European Financial Stability Facility does not need to be increased, despite concerns in markets that it might not be enough to support a bail-out for Portugal and Spain.

Controversially for market participants, the plan envisages the participation of private bond holders if any writing down of sovereign debt is required (after 2013).

The agreement also explicitly states that article 122 (2) of the Lisbon Treaty will not be applied, as it was to assist Greece in May.

According to this Treaty article all countries would contribute to a bailout fund if a nation was hit by "natural disasters or exceptional occurrences beyond its control", forcing all European states to contribute to the bailout fund.

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The change will mean that European states that are not part of the eurozone will not have to pay money into the new fund, though countries will still be allowed to make voluntary contributions - as the UK and Sweden did in the recent Irish bank bailout.

The ratification of the Treaty change should be complete by the end of 2012 and it has been designed in a way that will not require a referendum.

In a separate but equally significant development the European Central Bank announced the doubling of its capital to €10.76 billion to cope with bigger credit risk and market volatility. Eurozone members will provide the increase. This was the ECB's first increase of its subscribed capital base in its 12-year lifetime,



a mark of the severity of the situation. The ECB has bought about €72 billion in Eurozone government bonds since May but has resisted political pressure to step up these asset purchases substantially to help indebted governments avoid having to seek a bailout.

Petros Fassoulas

Agreement reached on the size of 2011 EU Budget.

The European Parliament, the European Council and the European Commission reached agreement on the size of the EU budget for 2011. According to the compromise the Commission proposal for an increase of 2.91% of the budget for next year was endorsed. That translates in €141.8 billion in commitment appropriations and €126.5 billion in payments.

The EP had argued for a 6% increase to accommodate the increased responsibilities and activities under the Lisbon treaty adopted at the end of 2009. But Member States, mostly the net contributors, resisted that increase. The EP accepted to give up on its demands but got some considerable concessions in return. First, the involvement of Parliament in the talks on the next long-term Budget has been confirmed. According to an agreement with the Council's Presidency (backed by Member States) the next four EU presidencies (the governments of Hungary, Poland, Denmark and Cyprus) are committed to the involvement of the Parliament. A further concession to EP demands is on the own resources issues, the European Commission will present a formal proposal by the end of June 2011, ensuring that the proposals on this issue are discussed at the same time as the future financial perspective.

Parliament also successfully argued for systematic assessments to be made of the European added value of new legislation and its funding. There will be a report on the cost

of "non-Europe" and an evaluation of the benefits of synergies between the EU and national budgets, to demonstrate how EU taxpayers get the best value for money when it comes to the EU budget. In addition, a compromise was reached on the new priorities stemming from the Lisbon Treaty for which no provision had yet been made in the 2011 budget. The European Commission has undertaken to examine how these new priority areas could be boosted in the budgets for 2012 and 2013.

The agreement on the EU budget for 2011 averted a crisis which would have seen funding for a variety of EU activities, including the financing of the new European Supervisory Authorities, interrupted or removed. The debate around next year's budget also revealed a rift between the Member States that are

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net contributors and those that are net recipients, with most of the countries that belong in the latter group being new Member States from Central and Eastern Europe. A reduction in the EU budget is viewed by those countries as an abandonment of the commitments made by the EU when they were admitted to the Union.

Despite the agreement on the 2011 budget between the EU institutions the stage has been set for further debate on the size and purpose of the EU budget when negotiations for the 2014-2020 budget begin.

Petros Fassoulas

Hungary to take over 6 months Presidency of the EU Council.

Hungary will be taking over for the first half of 2011 the Presidency of the Council of the European Union on 1 January. It is the last of the trio of countries at the helm of the Council in the past 18 months and its



programme forms part of the Spanish-Belgian-Hungarian trio programme.

Hungary's presidency will be dominated by the debate around economic governance and the need for Treaty change to create the new support mechanism. Formal talks on the EU budget 2014-2020 are also expected to start during Hungary's 6 months on the helm. The operation of the recently set up External Action Service will also keep the Hungarians busy who also intend to tackle a host of social issues.

The work programme of the Hungarian Presidency is divided in four themes:

- Growth, jobs and social inclusion.
- Stronger Europe – building on the foundations and saving the future.
- A Union close to its citizens.
- Enlarging responsibly and engaging globally.

In this context the Hungarians intend to focus on the launch of the European Semester of economic policy coordination including a revision of the Stability and Growth Pact, the creation of a macroeconomic surveillance mechanism and a permanent crisis mechanism. They also intend to work on delivering the targets of the Europe 2020 Strategy, adopting the Single Market Act and putting in place legislation that will safeguard the stability and predictability of the financial services sector.

Hungary will also focus on the review of the CAP and similar attention will be devoted to Cohesion policy. The creation of an efficient energy policy is another priority high on the agenda.

The Hungarians will also work on the creation of a common European asylum system and further justice and home affairs cooperation under the Stockholm Programme. They also intend to increase the efficiency of the fight against organised crime and cybercrime. The EU's adoption of the Charter of Fundamental

Rights into the Lisbon treaty is also to undergo its first assessment.

With regards to external affairs the Hungarian Presidency will promote the continuation of the enlargement process, with main emphasis on completing Croatia's accession negotiations. High on the agenda is to ensure that European External Action Service should become fully operational as soon as possible. Last but not least Hungary wishes to take advantage of its geographical position to add value to the EU's Eastern Partnership as well as facilitate discussions on the renewal of the common development cooperation policy.

The Hungarian Presidency of the Council will run from 1 January to 31 June 2011 and it is to be followed by Poland.

Petros Fassoulas

