European and External Relations Committee
13th Meeting, 2013 (Session 4), Thursday 27 June 2013
Brussels Bulletin

Introduction


Purpose of the Brussels Bulletin

2. This Brussels Bulletin has been provided by Scotland Europa, on behalf of the Scottish Parliament, and is based on the European and External Relations Committee's work programme and the key EU priorities of the committees of the Parliament, as envisaged by the Scottish Parliament’s EU Strategy (based upon each committee’s assessment of the annual European Commission's Work Programme as it affects their area of competence).

3. This Bulletin is circulated to relevant parliamentary committees and is published on the Parliament's website.

Recommendation

4. The Committee is invited to indicate whether it would like any of the follow-up actions listed below for any of the items contained in the Brussels Bulletin—

   • A technical or procedural clarification of a particular issue
   • A short briefing prepared by SPICe
   • A more detailed policy update or briefing
   • Request more information from the Scottish Government
   • Request further evidence either in a written or oral form

5. The Committee is invited to consider the latest issue of the Brussels Bulletin and to agree to forward it to relevant committees for their consideration.

Clerk to the Committee
June 2013
NEWS IN BRIEF

Multiannual Financial Framework
The Irish Presidency of the Council of the EU, negotiating on behalf of Member States, has reached agreement with the European Parliament’s chief negotiator on the EU’s multiannual budget for the next seven years. The agreement will be presented to Ministers at the General Affairs Council on 25 June. The full European Parliament is yet to give its consent to the deal.

Common Agricultural Policy
EU Agriculture Ministers will meet in Luxembourg on 24-25 June, where it is hoped that political agreement on CAP reform will be found.

Transatlantic Trade and Investment Partnership
The EU and the US have launched plans for negotiations on the Transatlantic Trade and Investment Partnership, which would be the biggest bilateral trade deal ever agreed.

Youth unemployment
The Commission has published a further Communication stressing the importance of combating youth unemployment. Proposing a number of practical, achievable measures to garner an immediate impact on youth unemployment levels, the Commission is calling on Member States to accelerate the implementation of Youth Guarantee schemes in particular.

Regional Aid
The European Commission has adopted guidelines on how Member States can grant investment aid to companies in order to support the development of disadvantaged regions in Europe between 2014 and 2020. The guidelines will enter into force on 1 July 2014.
Multiannual Financial Framework. The Irish Presidency of the Council of the EU, negotiating on behalf of Member States, has reached agreement with the European Parliament’s chief negotiator on the EU’s multiannual budget for the next seven years. The agreed amount for the budget is €960 billion. The agreement includes:

- Flexibility to allow more efficient use of EU money
- A review of the multiannual budget before the end of 2016
- A method for carrying forward discussion on EU own resources (own resources constitute EU revenue, and consist of “traditional own resources” – customs duties, agricultural duties and sugar levies – as well as a standard contribution levied on the Gross National Income of each Member State, and a resource based on VAT)
- Unity of the budget, to allow EU citizens to see in a more transparent way where their money is going.

Irish Deputy Prime Minister and Minister for Foreign Affairs and Trade, Eamon Gilmore, will present the agreement to Ministers at the General Affairs Council on 25 June. The European Parliament is to vote on the agreement in the first week of July. Senior figures in the Parliament have cast doubt on the agreement, emphasising that there is not yet agreement from the Parliament, and that a qualified majority from the institution is required.

If the Parliament refuses to accept the deal, negotiations will be delayed until the autumn and will become the responsibility of the Lithuanian Presidency of the Council of the EU, which begins on 1 July.

Common Agricultural Policy. EU Agriculture Ministers will meet in Luxembourg on 24-25 June, where it is hoped that political agreement on CAP reform will be found. Differences still remain unresolved between the two institutions including: coupled payments; areas of financial discipline; greening measures, as well as on the young and active farmers’ schemes. Parliament is pressing for mandatory young and active farmers schemes’ within the future policy, whereas Council supports a voluntary approach. The European Parliament will decide today if MEPs leading on CAP reform will also head to Luxembourg on Monday 24 June to continue discussions with Council.

Intense negotiations and long days lie ahead at the Council meeting on 24-25 of June which will be the last chance to secure an agreement on CAP reform under the Irish Presidency.

Transatlantic Trade and Investment Partnership. The EU and the US have launched plans for negotiations on the Transatlantic Trade and Investment Partnership. EU Trade Ministers agreed the EU’s negotiating mandate on 14 June, after the French government secured an exemption for its cultural sector. Formal negotiations will begin in Washington in July.

The European Commission estimates that the trade deal could create an additional 0.5% of EU GDP and create two million new jobs.

The EU’s negotiating mandate covers:

- Getting as close as possible to the elimination of all duties on transatlantic trade in industrial and agricultural products
- Reconciling the EU and US approaches to rules of origin to facilitate trade, while taking into
account the interests of the EU producers
- Establishing a regular dialogue on anti-dumping and anti-subsidy measures with the US
- Opening up the services sector and ensuring that European professional qualifications can be recognised on the other side of Atlantic and that EU companies and their subsidiaries will be able to operate in the US under the same conditions as American domestic companies. Many expect the US to try to exclude financial services from the scope of the deal.
- Achieving the highest levels of liberalisation and investment protection that both sides have negotiated to date in other trade deals
- Opening up access to government procurement markets at all levels of government without discrimination for European companies
- Reaching agreement on sanitary, phyto-sanitary and technical barriers to trade
- Working on regulatory compatibility in specific sectors, such as chemical, automotive, ICT, pharmaceutical and other health sectors such as medical appliances

The mandate also covers global challenges and opportunities, highlighting the need to work on the social and environmental aspects of trade and sustainable development

Leaders on both sides of the Atlantic have emphasised that they would like to conclude the negotiations quickly, aiming for November 2014.

Regional Aid. The European Commission has adopted guidelines on how Member States can grant investment aid to companies in order to support the development of disadvantaged regions in Europe between 2014 and 2020. The guidelines are part of a broader strategy to modernise state aid control.

Key features of the new guidelines are:
- The overall share of regions where regional aid can be granted will increase from the current level of 46.1% to 47.2% of the EU population.
- More aid categories will be exempted from the obligation of prior notification to the European Commission. The Commission expects this measure to facilitate the absorption of EU funds in cases where aid measures are co-funded by structural funds.
- The Commission will carry out a detailed examination of large aid measures, focusing on their incentive effect, proportionality, contribution to regional development and effects on competition.
- Aid to large enterprises in the more developed assisted areas will only be allowed for investments that bring new economic activity or initial investments for the diversification of existing establishments into new products or for new process innovation.
- In outermost regions and sparsely populated areas, the possibility for Member States to grant operating aid to companies is maintained and simplified.
- The maximum levels of aid are maintained for the least developed regions, but for other assisted regions they will be lowered by five percentage points.
- Anti-relocation provisions are strengthened and regional aid that has caused a same or a similar activity to relocate within the European Economic Area (EEA) will not be allowed.
- Member States will have to publish on the internet data on how much regional aid they grant and to whom.
The guidelines will enter into force on 1 July 2014.

**Youth unemployment.** As part of its input to the 27-28 June European Council Meeting, the Commission has published a further Communication stressing the importance of combating youth unemployment.

The Communication proposes a number of practical, achievable measures, linked to the future agreement on the multiannual financial framework, to garner an immediate impact on youth unemployment levels. Above all, the Commission is calling on Member States to accelerate the implementation of Youth Guarantee schemes, especially by the ‘frontloading’ of the €6 billion Youth Employment Initiative in order that the money is committed in 2014 and 2015, as opposed to across the whole seven year period.

The Commission has committed, through December 2012’s Youth Employment Package, to the development of a number of high-level instruments to help bring down youth unemployment levels, in particular a European Alliance for Apprenticeships, a Quality Framework for Traineeships and a multi-stakeholder Coalition for Digital Jobs. The Commission further emphasises the importance of the new programme for Lifelong Learning (currently called *Erasmus for All* although mentioned in the Communication as *Erasmus +*) in opening up cross-border education and training opportunities. It specifically calls on Member States to help exploit the demand for cross-border mobility by using European Social Fund allocations to accelerate the implementation of the new programme.

The Commission is also calling on Member States to implement the Country-Specific Recommendations it issued at end of May 2013 – especially those regarding the limitation of the tax burden on labour, the reduction of gaps in employment protection between different types of work contracts and development of targeted measures to incentivise the hiring of young people.

For the UK, the Commission’s 2013 annual recommendations included stepping up measures to increase youth employment, in particular through the Youth Guarantee. The Commission also called on the UK to increase the quality and length of apprenticeships, to simplify qualifications systems, and to strengthen the engagement of employers – particularly in the provision of advanced and intermediate technical skills.

**Public Employment Services.** The European Commission proposed new legislation to make public employment services more effective in helping people find work. The proposed Directive would establish a platform for comparing the performance of public employment services against benchmarks; identifying best practices and encouraging mutual learning. It would also provide support for Member States in the practical implementation of EU employment policies, such as the Youth Guarantee, and the country-specific recommendations recently issued by the Council on improving the efficiency of public employment services.

The European Commissioner for Employment, Social Affairs and Inclusion, László Andor, commented that improving these services is crucial to tackling unemployment in Europe, stating that the proposed plan will “help public employment services to fulfil that essential role and support greater European co-ordination of employment policies”. The number of
unemployed people in Europe currently stands at 26 million.

The Commission’s proposal will now be passed to the Council and European Parliament to be adopted, with a view to implementation from 2014. Following adoption, each Member State will be asked to nominate one member and one alternate member from the senior management of its public employment service to sit on the Board of the Public Employment Services Network. The Commission will also appoint a member and alternate member to the Board.

Professional qualifications recognition. On 13 June, the European Council and Parliament came to an agreement on the modernisation of the Directive on professional qualifications. The revision of the Directive is a key priority of the First Single Market Act, and its modernisation is seen by the Commission as a key way to encourage and simplify the mobility of professionals across the EU, thereby helping to decrease the European labour shortage and help to alleviate the youth unemployment situation.

The provisional agreement on the Directive’s modernisation will introduce, amongst other things, a European Professional Card, based on data from the Internal Market Information System (IMIS) which will make it easier for professionals such as doctors, dentists, nurses, pharmacists and architects to move to another European Union Member State and practice their profession. Other elements of the proposed Directive include;

- Better access to information and e-government services for mobile professionals.
- A revised definition of minimum training requirements for those benefitting from automatic recognition, as well as the establishment of common testing and training frameworks.
- Establishment of an alert mechanism to share information on prohibited professionals between all Member States.
- Extension of the rules of recognition to professionals who are not yet completely qualified.
- New rules on language testing, whereby the professional will only be subject to language skill assessment after his or her qualifications have been formally recognised.

Representatives of the Council and the Parliament came to a provisional agreement on the planned revision of the Directive on 12 June. The agreement still needs to be formally approved by the Council’s Committee of Permanent Representatives (COREPER) and voted upon by the Parliament’s Internal Market and Consumer Protection Committee (which will probably take place before the summer recess period) before going before the Parliament’s plenary session in October.

Linguistic integration. The Council of Europe (the non-EU body which promotes cooperation between all the countries of Europe in the area of human rights, democratic development and the rule of law) has recently launched a website considering the linguistic integration of adult migrants.

With a purpose of fostering a debate between policymakers and practitioners to share best-practice at European level, the website (http://bit.ly/XujR4) places particular emphasis on contexts whereby linguistic examinations in a European host country are mandatory.

The website launch comes in the run up to the Council of Europe’s launching of its third
report on integration and language policies for adult migrants.

**Internal energy market.** The June Council meeting of EU Energy Ministers saw adoption of Conclusions on the Commission’s November 2012 Communication on “Making the internal energy market work” which aims to complete the EU internal energy market by 2014.

The Conclusions call for;
- National assessment of impact of existing end-user price regulation measures, taking account of vulnerable consumers
- Phasing out of environmentally harmful national subsidies and consideration of the phase out of subsidies to maturing renewables
- Continuation of efforts to improve capacity utilisation in gas and electricity networks and improve consistency in EU cross-border transportation tariff calculation
- Enhanced cooperation and coordination between Member States on generation capacity adequacy, further strengthening of regional initiatives to this aim and consideration of the use of capacity mechanisms
- Rapid adoption of the October 2011 Commission proposals on an trans-European energy infrastructure network
- Commission examination of the need for new rules on cross-border congestion management
- Action to address unplanned power flows
- Adoption of national strategies for the development of smart grids and roll out of smart meters, making use of regional policy funding, and the rapid development of common standards at EU level
- Support for further research activities on energy storage

Progress will be reviewed by the end of 2014.

**Trans-European transport.** Agreement was reached in informal negotiations between the EU institutions on the new Guidelines for a Trans-European Transport Network, which were tabled by the European Commission in October 2011. The Guidelines establish a Core Network, identifying priority hubs and interconnections in all transport modes, which should be completed by 2030. EU funds in the Connecting Europe Facility will be directed to these priorities.

A wider Comprehensive Network is also identified, the completion of which should be achieved by 2050. The final agreed Network maps will be published following formal endorsement of the deal by Council and the European Parliament. Agreement of the Connecting Europe financing facility for infrastructure projects is part of ongoing negotiations to agree the overall long term financial framework for the EU for 2014-2020. Ongoing inter-institutional talks may be concluded in summer.

**Biofuels.** EU Energy Ministers heard at their June Council meeting a state-of-play report on ongoing inter-institutional talks to agree changes to EU Renewables and Fuel Quality laws to take into account the indirect land use impacts from the production of first-generation (food crop) biofuels. The legal changes aim to limit the contribution of first-generation fuels towards the target of 10% renewables in the transport fuel mix by 2020, to which each EU country is bound under the Renewables Directive.

The original Commission proposal from October 2012 proposed a limit of 5% to the contribution from first-generation fuels in counting countries’ progress towards their
10% target. Emission values were further assigned to certain fuel types to account for the emissions resulting from indirect land use change, to be added to those resulting from fuel combustion in calculating progress towards emission targets.

Ongoing working-group level meetings of national civil servants from the EU Member States have seen the current Irish EU Presidency propose a mandatory 2% contribution from advanced, second-generation (non-food crop) biofuels within the 10% transport target. This would be instead of a 5% cap for first-generation fuels. However, the approach is not supported by the leading draftsperson for the European Parliament’s report, Liberal French MEP Corinne LePage.

Water Innovation. The European Innovation Partnership (EIP) on Water has evaluated and selected the first nine Action Groups following the first call for expressions of commitment.

The Action Groups are multi-stakeholder platforms which commit to work on one or more actions defined under the priorities of the Strategic Implementation Plan of the EIP.

The selected Action Groups will focus on areas including:

- Renewable energy desalination
- Evaluating energy impacts on water
- Improving implementation capacities of cities
- Regional governance of water scarcity and drought
- Industrial water re-use and recycling
- Ecosystem services
- Financial instruments for water innovation

Scottish Water is involved in one Action Group on ‘Anaerobic membrane Bioreactor for Recovery of Energy and Resources’.

A second call for expressions of commitment is planned for November 2013. The EIP Water conference will take place in Brussels on 21 November 2013.

Electronics. The Commission has proposed a new industrial EU strategy for electronics, for fear that the 27-country bloc is losing the capability to design and manufacture electronic components essential for the digital economy. The European electronics industry today, which has an average growth rate of 5% per year since the year 2000, employs 200,000 people directly and one million more indirectly, still struggles to meet further demand for skilled workers. However, according to the Commission, no single Member State or company in Europe has the resources to keep up with the speed of technology development and the high costs of research, development and innovation.

The Commission is therefore proposing a strategy for electronics to focus on areas of strengths (world-leading clusters and competitive industries in key sectors), bringing together resources at EU, national and regional levels to invest in skills. The Commission expects that all economic sectors in Europe will benefit from the strategy, as at least 10% of GDP depends on electronic products and services.

Investment Services. On 17 June the Permanent Representatives of Member States to the EU agreed on behalf of the Council of the EU its position on proposed updates to the Markets in Financial Instruments Directive (MiFID). MiFID is the EU rulebook that governs the provision of investment services in financial instruments (e.g. brokerage, advice, dealing, portfolio
management, underwriting, etc.) by banks and investment firms and the operation of traditional stock exchanges and alternative trading venues (so-called multilateral trading facilities). The proposed rules comprise a regulation (directly applicable in Member States) that aims to improve the transparency and competition of trading activities and a directive amending rules on the authorisation and organisational requirements for providers of investment services and on investor protection.

The agreement stipulates that no proposal of policy from any regulator, or from the European Securities and Markets Authority, should “directly or indirectly, discriminate against any member state or group of member states as a venue for the provision of investment services and activities in any currency”. The agreement also limits “dark pool” trading – where stocks are not traded on a lit order book – and introduces a new trade transparency regime for non-equities markets.

It supports the European Commission’s proposal for a new type of trading venue, the Organised Trading Facility. Other key elements include: specific support to facilitate better access to capital markets for small- and- medium sized enterprises; new safeguards to take account of technological developments such as algorithmic trading; stronger investor protection; and an enhanced framework for derivatives markets. The agreed position is expected to be adopted by the full Parliament at the plenary session in the first week of July, and will form the Parliament’s response to the European Commission’s consultation on structural reform of the banking sector. The consultation period will end on 11 July.

The report adopts a principles based approach to reform rather than entering into a detailed breakdown of recommended action at this stage. MEPs advocate separating the retail and investment entities of banks. Other priorities include:

- Improving corporate governance and strengthening personal liability and accountability for board members in the separate entities and at group level
- Ensuring that essential retail activities continue uninterrupted by problems in the bank’s investment entity
- Forbidding the shifting of capital from deposits and credit activities to risky trading activities
- Ensuring that risky trading and investment activities do not benefit from implicit guarantees or subsidies, the use of insured deposits or tax payer bailouts.

The European Commission is expected to table proposals on structural reform of the banking sector by the end of this year.

Cyprus. Cypriot President Nicos Anastasiades has demanded a complete revision of his country’s €10 billion bailout. In a letter to the EU, the European Central Bank and the International Monetary Fund, the President states that the package was implanted without sufficient preparation, and that the terms of the bailout agreement are rendering it almost impossible for the Bank of Cyprus to carry out its day to day operations. Media sources have quoted EU officials as stating that there are no plans to alter the terms of the country’s bailout.

Banking Sector Reform. On 18 June the European Parliament’s Economic and Monetary Affairs Committee adopted Arlene McCarthy’s (UK, Labour) own initiative (non-legally binding) report on structural reform of the banking sector. The report is expected to be adopted by the full Parliament at the plenary session in the first week of July, and will form the Parliament’s response to the European Commission’s consultation on structural reform of the banking sector. The consultation period will end on 11 July.
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