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EUROPOLITICS

The European affairs daily | Friday 15 February 2013 | N° 4587 | 41st year

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FOCUS

Eurozone in recession

The eurozone sank into recession at the end of 2012, which may complicate member states' task of respecting their budgetary commitments. Eurozone GDP fell by 0.6% in the fourth quarter of 2012 (and 0.5% for the year 2012), reports Eurostat. This is worse than expected: analysts were counting on a 0.4% decline, even though that figure seemed overly optimistic in the light of growth figures for Germany (-0.6%) and France (-0.3%). For the European Central Bank's forecasters, the figures released on 14 February suggest that there will be zero growth in the eurozone in 2013 and a worse performance than expected in 2014, with a GDP increase of 1.1% rather than the 1.3% foreseen until now.

This downslide in activity makes it virtually impossible for states to comply with their budgetary commitments. France has acknowledged that it will fail to meet the public deficit cap of 3% of GDP this year. In a letter to the member states' finance ministers, Economic Affairs Commissioner Olli Rehn points out that a state can be given more time to correct its excessive deficit when growth deteriorates, «provided it has made the budgetary effort required,» he adds.

The next evaluation will be in the economic forecasts to be presented by the EU executive on 22 February.

FINANCIAL TRANSACTION TAX

Commission unveils new FTT proposal

By Tanguy Verhoosel

The European Commission unveiled, on 14 February, the content of its new proposal establishing a financial transaction tax (FTT), which it says should raise €31 billion a year for the 11 eurozone countries that plan to apply it.

Under the written procedure, the EU executive adopted a proposal for a directive implementing enhanced cooperation in the area of financial transaction tax by the 11 states that have decided to form an avant-garde: Germany, France, Italy, Spain, Belgium, Austria, Portugal, Greece, Slovakia, Slovenia and Estonia. It hopes to see them reach an agreement on the subject by 30 September at the latest so that the FTT can apply from 1 January 2014.

"The real economy continues to be protected," explained Algirdas Semeta" © CE

The new proposal is based in large measure on the Commission's earlier text of September 2011. The executive proposes a tax of 0.1% on transactions on shares, bonds, units of collective investment funds, money market instruments, repurchase agreements and securities lending agreements, and 0.01% on derivatives transactions. These are minimum rates: the states may decide to set higher rates at national level if they wish.

According to the Commission, revenues from the tax in the 'FTT zone' could add up to €31 billion per year. It suggests – very cautiously, because this is a divisive subject – that the 11 allocate a portion of these revenues to finance the EU budget. This EU own resource would enable them to reduce their direct financial contributions, based on gross national income, to the EU budget.

The scope of the draft directive is broad: it covers all financial institutions – including pension funds and holding companies, in particular – and **(continued on page 5)**

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EUROPOLITICS Since 1972

is published by EIS (Europe Information Service S.A.),

Rue d’Arlon, 53
B-1040 Bruxelles

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advertising@europolitics.info

PRODUCTION
Printing: Identic, Brussels

Europolitics is published in French under the name *Europolitique.*
ISSN 1811-4121

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FINANCIAL TRANSACTION TAX

New safety nets to prevent relocation and abuse

By Tanguy Verhoosel

The new financial transaction tax (FTT) proposal, presented by the European Commission on 14 February (see separate article), contains «certain limited changes» compared with the 2011 version, explains the executive. These basically aim to ensure «legal clarity» and «to reinforce anti-avoidance and anti-abuse provisions». They are nevertheless important.

'Issuance' principle. The Commission sets up additional safety nets to guard against the potential relocation of transactions and of financial operators outside the FTT jurisdiction (in its opinion, such relocation is nevertheless unlikely due to the low tax rates and economic importance of the FTT area). The proposal is still based on the 'residence' principle: the tax will be due if one of the parties to the transaction is established in one of the 11 participating states, regardless of where the transaction takes place, or if the financial institution is acting on behalf of a party established in the FTT zone. The Commission is now proposing to combine this principle with «elements» of the 'issuance' principle (place where the financial instruments being traded are issued).

Basically, an American bank (with no subsidiary in countries applying the FTT) that buys on the London market (not an FTT country) shares issued in Germany to a bank headquartered in Singapore (with no subsidiary in the FTT area) will have to pay the tax at the rate in force in Germany, as will the Singapore bank. Indeed, there is a link between the «economic substance» of the transaction and the territory of a state applying the financial transaction tax.

According to the Commission, this measure will primarily concern shares, bonds, money market instruments, units of collective investment funds, structured products and derivatives negotiated on organised trading venues.

On the other hand, the French subsidiary of an American financial institution that sells American shares in Zurich, Switzerland, to the French subsidiary of another European institution, in the framework of its American operations, will not have to pay the tax. It and the buyer can prove that there is no link between the «economic substance» of the transaction and France.

Anti-abuse clause. In order to prevent risks of circumvention of the legislation, the new draft directive contains an «anti-abuse clause» similar to the one found in the recommendation on aggressive tax planning, published by the Commission in December 2012. It provides that «artificial arrangements or an artificial series of arrangements that have been put into place for the essential purpose of avoiding taxation and lead to a tax benefit shall be ignored» by tax authorities. «Participating member states shall treat these arrangements for tax purposes by reference to their economic substance.»

The changes basically aim to ensure «legal clarity» and «to reinforce anti-avoidance and anti-abuse provisions»

This rule, states the proposal, could be applied where the notional amount of a swap is artificially divided by an arbitrarily large factor and all payments could be multiplied by the same factor. This would leave the cash flows of the instrument unchanged but arbitrarily shrink the size of the tax base.

Clarifications. The new draft directive excludes transactions with the European Central Bank, the EU and the two eurozone rescue funds (EFSF and ESM) from the scope of the financial transaction tax. Member states are also excluded from the scope of the directive when managing public debt.

To prevent circumvention of the tax, exchanges of financial instruments will be considered as two transactions for tax purposes. On the other hand, repurchase and reverse repurchase agreements and securities lending and borrowing will be regarded as only one transaction.

REACTIONS

Socialist MEPs (S&D) applauded the Commission's proposal. Group chair Hannes Swoboda (Austria) welcomed the Commission's suggestion that a portion of the revenues from the tax should be channelled into the EU budget as own resources.

Anni Podimata (Greece), author of Parliament's report on the FTT, welcomed the wide scope of the proposal and the fact that the Commission agreed to Parliament's request to combine application of the 'residence' principle and the 'issuance' principle.

The non-governmental organisation Oxfam also reacted positively: «The efforts of NGOs and certain MEPs have paid off. This new and greatly improved proposal will effectively tax speculation [...] and limit financial evasion,» it notes. The NGO is particularly pleased that pension funds are not excluded from the directive's scope. But «how the money will be spent» is still a problem. «This coalition should commit publicly to allocate the majority of the revenues to fight poverty at home and abroad,» it adds.

The Association of Chartered Certified Accountants (ACCA) takes quite a different view. It criticises the extraterritorial impact of the FTT on states that will not participate in the enhanced cooperation: «We wonder why a non-FTT country should inevitably have to bear the burden of compliance» with the tax. The ACCA has other objections as well. It finds that a financial transaction tax has to be applied globally in order to be successful. It also criticises the Commission for not having taken account of the «complex nature of some financial instruments,» which could be subject to double taxation.

Insurance Europe, the European federation of insurance and reinsurance companies, also blasts the draft. The Commission's proposal will add significant cost to long-term saving and retirement products, it argues. The draft directive does not cover insurance contracts, but does cover reinsurance companies, which regularly use intra-group transactions to spread their risks. The FTT will therefore increase the cost of these activities, which Insurance Europe says should be encouraged, not penalised. Savers will also lose, since they will probably foot the final bill. ■

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FTT proposal

(continued from page 1)

all financial instruments. Transactions will be taxed under the 'residence principle', meaning the place of residence of the parties to the transaction. "As a last resort," the 'issuance principle', ie the place where the financial instruments are issued, may also apply to avoid relocations and abuse, which the Commission also plans to prevent through various clauses - a new element in the proposal.

"The real economy continues to be protected," explained Taxation Commissioner Algirdas Semeta.

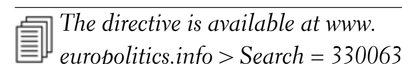
Background

28 September 2011: Commission proposal establishing a financial transaction tax at EU level
10 July 2012: After countless unproductive debates, the 27 finance ministers officially conclude that unanimous agreement on the proposal is impossible in the «foreseeable future»
September and October 2012: Eleven eurozone member states (France, Germany, Austria, Portugal, Belgium, Estonia, Greece, Spain, Italy, Slovenia and Slovakia) officially asked the Commission to prepare the groundwork for enhanced cooperation, based on its proposal of September 2011
23 October 2012: The Commission establishes that all legal conditions have been fulfilled for the Council and Parliament to green-light the launch of enhanced cooperation and presents a draft decision to this effect
November 2012: The Council officially requests Parliament's approval of the decision authorising enhanced cooperation
12 December 2012: MEPs approve the decision by an overwhelming majority (533 to 91 and 32 abstentions)
18 January 2013: Meeting of the Committee of Permanent Representatives (Coreper). The Irish EU Presidency notes that a qualified majority (required) exists in the Council in support of the proposal
22 January 2013: The 27 finance ministers approve the establishment of enhanced cooperation
14 February 2013: The Commission presents a new proposal for a directive. It will be debated by the 27 at technical and political level, but only the 11 states that have decided to apply the measure will have a voting right at the conclusion of the ministerial negotiations
30 September 2013: Cut-off date recommended by the Commission for transposition into national legislations of the compromise to be worked out by that date in the Council
1 January 2014: Implementation of the tax in the 'FTT zone'

"Day-to-day" activities that concern citizens and businesses (insurance contracts, loans, credit card transactions, deposits, cash currency transactions) are excluded from the legislation, as are transactions related to raising capital (issuance of shares and bonds, etc) and certain restructuring operations. Financial transactions related to monetary policy and the refinancing and management of government debt are also spared. Consequently, the FTT will not apply to central banks or certain national public bodies, the European Central Bank or the eurozone rescue funds (EFSF and ESM).

For the Commission, the aim is clearly to target transactions between financial institutions, which it considers under-taxed by around €18 billion per year, although they bear a large share of the responsibility for triggering the financial crisis and benefited from rescue operations financed by the public sector, ie by taxpayers.

That is precisely one of the objectives the Commission has set for the FTT: to ensure that the financial sector makes a substantial contribution to resolving the crisis and consolidating public finances. The executive hopes to create disincentives for financial institutions to engage in risky transactions that do not serve the interests of the real economy. Lastly, it wants to prevent a patchwork of national financial transaction tax initiatives, which would lead to fragmentation of the EU single market. ■


The directive is available at www.europolitics.info > Search = 330063

PROTECTION OF PERSONAL DATA

Platform details success of corporate lobbying

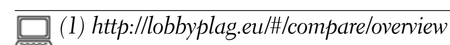
By Nathalie Vandystadt

For EU observers it may be common practice, but for European citizens it is disturbing and worrying, especially considering that their personal data are concerned. A new platform, LobbyPlag [1], set up by German journalist Richard Gutjahr and data journalist Marco Maas, shows that members of the European Parliament have incorporated into their amendments changes proposed by European and American firms designed to take the teeth out of the future regulation on personal data protection. Certain amendments have been copied word for word from texts submitted by eBay, Amazon, the American Chamber of Commerce, the European Banking Federation, etc. Some MEPs appear to excel in this activity, according to information on the site.

The corporate lobbyists generally aim to limit application of the regulation, reduce financial penalties for non-compliance with the rules or limit the power of national data protection authorities. There is even an amendment that seeks to eliminate such authorities.

Companies, especially American, as well as US government authorities have lobbied very intensively from the start of examination of the proposals for the general data protection regulation (which updates the 1995 rules) and the directive on the protection of personal data.

The Commission denies having presented a draft regulation that is harmful to business, however. On the contrary, the rules would apply across the EU uniformly, which would lead to savings of up to €2.3 billion per year, it argues. A number of firms, particularly major European telecoms operators, support this aspect of the proposal. ■


(1) http://lobbyplag.eu/#/compare/overview

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CHEMICALS

REACH: Substances to be registered by 31 May

By Anne Eckstein

The European Chemicals Agency (ECHA) has published the updated list of substances to be registered under the REACH regulation by 31 May 2013, for which the lead registrant is unknown. The ECHA asks registrants and downstream users to complete the list without delay.

To support registrants and downstream users in fulfilling their duties under REACH, the agency published last year a list of substances identified by industry to be registered by 31 May 2013 on its website. This list is regularly updated and also specifies whether a lead registrant is preparing for registration or has already registered. There are currently 3,052 substances on this list.

The agency is also publishing an additional list to raise awareness on the substances (around 700) for which the ECHA has so far neither received a lead registrant nor a registration despite the fact that the industry has flagged its intention to register the substance in 2013. This list is useful for companies (manufacturers, importers and downstream users) that want to check whether their substances have to be registered by 31 May 2013. It covers only those substances not listed as of 30 November 2010. The ECHA advises downstream users and potential registrants to check this list to ensure that their substances manufactured or imported at or above 100 tonnes a year will be registered on time. ■

Further information is available at http://echa.europa.eu

TELECOMMUNICATIONS

Telecoms package finally applied by all 27 member states

By Manon Malhère

Better late – nearly two years late – than never: all of the EU telecoms rules are now being applied by the 27 member states. Accordingly, the European Commission plans to withdraw, on 20 February, the last infringement proceedings against five member states for failure to respect the implementation deadline of the telecoms package adopted in 2009.

On 31 May 2012, the EU executive asked the EU Court of Justice (ECJ) to fine Belgium, the Netherlands, Poland, Portugal and Slovenia for failure to respect the deadline to enact into national law this package, which includes Directives 2009/140/EC and 2009/136/EC, modifying five directives[1], as well as a regulation establishing the Body of European Regulators for Electronic Communications (BEREC, No 1211/2009). The deadline was set for 25 May 2011. These five member states have since enacted the package and the Commission therefore plans to withdraw the infringement proceedings on 20 February.

The telecoms package is now being applied across the EU. Broadly speaking, it contains measures to boost competition on telecoms markets and grants new rights to telecoms services' consumers. In particular, they are entitled to more information about the services on offer, better online data protection and can change telecoms operators quickly and easily. ■

(1) These two directives modify Framework Directive 2002/21/EC, the Access Directive 2002/19/EC, the Authorisation Directive 2002/20/EC, the Universal Service Directive 2002/22/EC and the Privacy and Electronic Communications Directive 2002/58/EC

INTERNET/PROTECTION OF CHILDREN

Site ratings: EU urged to invest in project

By Nathalie Vandystadt

The EU is not investing enough in research on internet site rating systems designed to protect children online. This is the message sent by the Centre for Social Responsibility in the Digital Age (SRDA), an organisation that lobbies in this area in Brussels, in a statement published on 13 February.

The appeal follows the Safer Internet Day on 5 February, during which 29 companies, including Apple, BT and Facebook, reported on how they intend collectively to set new benchmarks for protection of children online. «As a result of their commitments, all devices [...] could be equipped with parental control tools and screens with simple functions enabling users to report harmful content and contacts,» said the Commission.

A year ago, the EU executive launched a dialogue with companies active on the internet to convince them to self-regulate more. The SRDA has developed a new model, the Global Alliance Matrix (GAM), that aims to make all national rating systems in the EU interoperable. The system was examined in detail by the companies that belong to the platform set up by the Commission. The organisation is currently holding discussions with the relevant authorities in each country in the hope of developing a cross-border system.

For Spyros Pappas, chairman of the SRDA board, it is now up to European policy makers to approve a totally interoperable system building on existing national ranking systems and to make it accessible to parents. ■

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TELECOMMUNICATIONS

Critical infrastructures: ENISA warning on cloud computing

By Manon Malhère

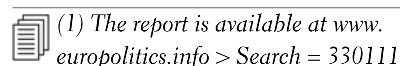
Cloud computing services are progressively becoming critical information infrastructures in their own right - which could lead to serious problems if one of these services fails or is hacked, says the EU's cyber security agency, ENISA, in a report published on 14 February[1].

Cloud computing services ('information in the cloud') allow for the storage, treatment and use of information on remote computers (databases), and for access to this information from anywhere in the world. Large companies are increasingly using cloud computing in critical sectors, such as finance, energy and transport.

"From a security perspective, the concentration of data is a 'double-edged sword'; large providers can offer state-of-the-art security, and business continuity, spreading the costs across many customers," said Dr Marnix Dekker, the report's author. "But if an outage or security breach occurs, the impact is bigger, affecting many organisations and citizens at once."

The report provides recommendations on enhancing the security of critical cloud computing services: risk evaluation, security measures (such as exchanging good practices) and incident reporting schemes.

Dekker's report comes just after a European Commission proposal for a directive on the security of networks and information systems, which would oblige operators of critical infrastructures and key internet companies to provide notification of «significant» security incidents to national cyber security authorities (see *Europolitics* 4582). ■


(1) The report is available at www.europolitics.info > Search = 330111

CLIMATE CHANGE/ETS

Tension mounts before vote on quota freeze

By Anne Eckstein

On 19 February, the European Parliament's Committee on the Environment (ENVI) is due to give its opinion on the European Commission's proposal to postpone the auctioning of 900 million tonnes of emissions quotas during the period 2013-2015 («backloading» or «freezing» of quotas), which were put on sale through the Emissions Trading System (ETS).

Following the rejection of this proposal by the ITRE (energy) committee during a lively debate, on 24 January, no progress was made in the ENVI committee that same day (see *Europolitics* 4572), which has led the lobbies to put pressure on MEPs. The energy sector - while divided on the matter - is particularly active in this regard.

Rapporteur Matthias Groote (S&D, Germany) has called for short and medium-term measures to stablise the carbon market. In his report submitted to MEPs, he said that the Commission "should be capable" of adapting the timetable for bids, but only in "exceptional circumstances," such as the current one. More specifically, he has proposed that the decision to adapt the timetable for bids should be taken "one time only during the third phase of the ETS (2013-2020)," emphasising that this short-term measure should not be perceived as a remedy to the current imbalances, but rather as a method of ensuring the stability of the ETS until long-term structural measures are adopted.

In a letter to MEPs, 30 companies representing energy plants and petroleum industries, industry (producers of equipment, including low-carbon emission equipment) and financiers affirm their strong support for the ETS and the attempts to stabilise it first by the freezing of quotas and then by long-term structural measures.

The Institutional Investors Group on Climate Change (IIGCC, which brings together thirty financial institutions and pension funds) has called for similar measures.

The current surplus of emissions quotas on the market is damaging the efficiency of the system. The consequence of this surplus is prices varying between €4 et €6 per tonne of CO_2, «which will not stimulate low-carbon investments or innovation,» say these companies. They warn of the risks the rejection of this proposal will entail: a weakened ETS could lead to the emergence of new national measures (taxes and regulations), which, contrary to current policy aiming to create an internal energy market, would actually fragment it.

Several non-EU countries (Korea, Australia, China) are establishing their own systems for trading quotas in order to stimulate investment in low-carbon technologies: therefore, the EU cannot afford to lose its status of world leader on climate change, or risk missing opportunities to invest in these technologies - which will help the EU to relaunch its economy and industry.

Industrialists have therefore called on MEPs and the Climate Change Committee (member states and the Commission) to act «without delay» to ensure the credibility, and even the existence of the ETS. Knowing that long-term structural measures are indispensable, but also that completing these reforms will take time, they underline that supporting backloading is the first essential step in a reform of the ETS.

On the other hand, Euracoal, a lobby for carbon producers and users, is strongly opposed to this (4586). The association says that these measures will make the burden on an already fragile economy even heavier: economic recovery should not be compromised by setting new goals and generating legal insecurity (the rules of play should not be changed in the middle of the game), they say. Moreover, any intervention on the market would discredit the ETS as an instrument which is based on the market in order to achieve climate policy goals. ■

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FOOD SAFETY

Horsemeat scandal prompts EU-wide DNA tests

By Joanna Sopinska

In response to the widening horsemeat scandal, the European Commission has put forward a proposal for EU-wide controls, in the course of which over 6,000 samples would be taken in all member states during next three months, starting on 1 March. The proposal was presented by Health and Consumer Policy Commissioner Tonio Borg, on 13 February, at the informal meeting of the agriculture ministers of the countries most affected by the horsemeat fraud (France, the UK, Ireland, Luxembourg, Sweden, Romania and Poland). The ministers welcomed the plan as a way to prevent further fraud and to restore the confidence of European consumers. The ministers jointly asked the Commission to fast-track the publication of a report on the labelling of processed meat. Simon Coveney, Ireland's minister for agriculture, said that the report's recommendations would help the member states improve the current system of labelling if necessary. Finally, the ministers decided that the data collected by the member states will be further analysed by Europol in order to identify the perpetrators of the fraud.

The Commission's plan requires all member states to intensify tests during an initial 30-day period starting on 1 March as part of a bigger, three-month programme. Some 2,500 samples of processed beef products would be taken across the EU and a further 4,000-odd at slaughterhouses across the EU. This would help, according to the Commission, to identify the scale of misleading labelling practices as to the presence of horsemeat. "These 4,000 samples will compromise of 2,500 samples of EU horsemeat and 1,500 samples from non-EU horsemeat," Coveney said. The inspectors will be looking for traces of an anti-inflammatory painkiller injected into horses, called phenylbutazone or 'bute', which could pose a health risk to people. Commissioner Borg assured the ministers, however, that there is no evidence at the moment "to suggest that this scandal poses a threat to public health".

The results of the initial phase of the programme will be published on 15 April.

The Commission's proposal will be discussed and possibly approved at a special meeting of the Standing Committee on the Food Chain and Animal Health, on 15 February. The labelling fraud will also top the agenda of the forthcoming Agriculture Council, on 25 February.

The horsemeat scandal erupted in mid-January after the Irish food safety authorities detected horse DNA in processed beef meat used in products labelled as made only of beef (burgers, lasagna, etc). Since then, companies and slaughterhouses in eight other member states have been dragged into the affair (the UK, Poland, Luxembourg, Cyprus, the Netherlands, France, Romania and Sweden). Traces of horsemeat in beef products were also found in Germany, on 13 February, according to media reports. "This appears to be a widespread fraud and mislabelling of certain processed products," Coveney said, commenting on the scale of the scandal. He stopped short this time, however, from pointing to any country where the breach could have taken place. Earlier, Ireland was putting the blame on Poland, with Coveney suggesting, at the end of January, that the mislabelled meat was imported from Polish companies. Recent media reports point to Romania as the country where the horsemeat could have been produced. It was then sold to French and Cypriot companies, which resold it to a Dutch intermediary. Finally, the Dutch company sold it to Luxembourg. Daniel Constantin, Romania's agriculture minister, rejected speculations suggesting the involvement of Romanian producers. "We do not put blame on anyone yet," Commissioner Borg said. He made it clear, however, that the urrent actions aim at identifying where, by whom and how the fraud was committed.

Current legislation on food safety and labelling in the Union provides sufficient basis, according to Borg, for successfully investigating and prosecuting such a fraud. "We do have legislation on labelling and we do have legislation against fraud in labelling. No one has the right to indicate as beef something which is not beef," Borg said. ■

FOOD SAFETY

Horsemeat scandal reignites debate over origin labelling

By Sophie Petitjean

Since the eruption of the EU-wide scandal of horsemeat found in frozen food products, calls appear to multiply for stricter origin labelling at EU level. Current rules on nutrition labelling (Regulation No 1169/2011) are the result of two years of discussions. But why was origin labelling not imposed for all products - meat and fish, both fresh and not fresh - at the time? Why was the EU content merely to request a report from the Commission on the eventual extension of obligatory origin labelling for meat used as an ingredient, and for meat-based preparations, two years after the entry into force of the new regulation?

According to a source close to the dossier, the current regulation has led to a "diluted" compromise, obtained via three-way talks. Among the member states that are strongly in favour of extended origin labelling are France, Austria, Portugal, Greece and Italy (and to a lesser extent Ireland and Poland). Meanwhile, countries such as Denmark, the Netherlands, Germany, Spain and Sweden are strongly opposed. Most other countries, including Belgium and the United Kingdom, did not want to go too far in extending the scope of the regulation beyond fresh meat[1]. These national divisions are also to be found within the hemicycle of the European Parliament (for example, French and Italian MEPs have supported origin labelling, in contrast with Dutch and German MEPs). The S&D and Greens were, overall, in favour of labelling, while the EPP was opposed to it. The Liberals were split on the matter, while the rapporteur, Renate Sommer (EPP, Germany), was strongly opposed. ■

(1) Origin labelling is obligatory for beef under Regulation No 1760/2000

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AQUACULTURE

EU lifts ban on animal proteins in fish feed

By Ed Bray

The EU's fish farmers will be allowed to use processed animal proteins (PAPs) in fish feed for the first time since 2001. This could pave the way for a further overhaul of restrictions on pig and poultry feed. The European Commission's relevant regulation entered into force on 13 February. A total ban on PAPs in animal feed was introduced in the wake of the bovine spongiform encephalopathy (BSE) epidemic, also known as the mad cow disease, largely caused by the use of bovine meat and bone meal as cattle feed. The Commission's plans will allow the use of PAPs from non-ruminant animals (pigs and poultry) in fishmeal from June. Officials say the move follows scientific advice showing "negligible" risk of BSE transmission between non-ruminant animals, provided that intra-species recycling (cannibalism) is prevented.

The move, coming at a time of high feed costs and widespread scarcity of fishmeal, will improve the overall sustainability of the aquaculture sector, Commission officials said. A strict traceability system with DNA testing will prevent the cross-contamination of feed for species other than fish, they added. But concerns over these safeguards prompted both Germany and France to reject the lifting of the ban, while the UK abstained in the vote last July. Patrick Vanden Avenne, president of the European Compound Feed Manufacturers' Federation, said that "the new measure contributes to global food security by reducing the EU dependency on seafood imports, which account for more than 70% of the current EU consumption".

The Commission says the move marks the first step towards re-introducing PAPs in pig and poultry feed, provided testing can rule out cannibalism. But it has no intention to propose the re-authorisation of PAPs for ruminant animals or to allow PAPs from ruminants in feed for non-ruminants, they said. ■

ENERGY

EU could run on 100% renewables by 2050, says WWF

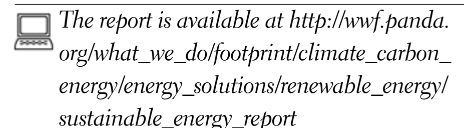
By Marie-Martine Buckens

A future where 100% of energy comes from renewable sources (by 2050) is not the stuff of dreams but a realistic aim for the EU – provided it commits to ambitious targets for 2030, says the NGO WWF in a new report released on 13 February. The report is based on the analyses of Dutch consultancy Ecofys. The report aims to feed into the work started by the European Commission on energy targets for 2030. These new targets will replace the current Horizon 2020 targets, ie the 3x20 targets: 20% reduction of greenhouse gas emissions compared to 1990; 20% of renewables in the energy mix; and +20% of energy efficiency.

One of the big questions at the Commission and in Parliament is whether to once again set binding targets, thereby allowing for public aid. The question is particularly apt for renewables – certain sectors of which are profitable, namely terrestrial wind farms.

The WWF is adamant: binding targets are a must in order to obtain tangible results. The NGO argues that the lack of binding targets – until recently – in terms of energy efficiency explains poor performances in the sector.

According to the WWF, a 50% reduction of greenhouse gas emissions is possible by 2030 provided the EU makes energy savings of at least 38% compared to the current levels and if 40% of fuel comes from renewable sources. In doing so, WWF believes that the EU could reach a target of 100% renewable energy by 2050. ■



The report is available at http://wwf.panda.org/what_we_do/footprint/climate_carbon_energy/energy_solutions/renewable_energy/sustainable_energy_report

ENVIRONMENT

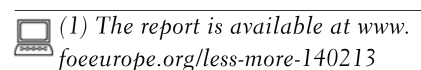
NGO: "End our current wastefulness"

By Anne Eckstein

Europe is failing to manage its resources sustainably and unnecessarily sends valuable materials to incineration and landfill, states a report published by Friends of the Earth Europe, on 14 February [1]. "There is an urgent need to fundamentally change EU policies and end our current wastefulness," states the NGO.

The EU sends 60% of municipal waste to incineration and landfill. Materials that could be recycled or re-used are being thrown away, contributing to demand for more raw materials. Of the 5.8 million tonnes of textiles discarded by Europeans every year, 75% go to landfill or incineration and only 25% are recycled. This moor waste management contributes to the EU's non-sustainable demand for imported materials.

«Europe is still stuck in a system where valuable materials, many of which come at a high environmental and social cost, end up in landfill or incineration. Recycling targets are a good start, but reusing products and materials and preventing waste in the first place won't be the norm until we have EU targets for these too,» notes Friends of the Earth Europe. Reducing waste is an easy way to increase Europe's resource efficiency. It creates jobs in Europe and reduces dependency on imported raw materials, adds the organisation. The NGO maintains that bans on landfill and incineration practices are the best way for the EU to achieve its goal of sustainable use of resources. ■



(1) The report is available at www.foeeurope.org/less-more-140213

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RESEARCH

EU launches bioeconomy observatory

By Marie-Martine Buckens

A new observatory to measure the impact of the EU's bioeconomy will be launched this year, Research Commissioner Máire Geoghegan-Quinn announced at a bioeconomy conference hosted by the Irish Presidency in Dublin, on 14 February. The observatory, which should begin work in March, represents the first measure taken by the European Commission within the framework of its bioeconomy strategy, adopted in February. The strategy aims to promote smart and sustainable use of renewable resources within the European economy.

The new observatory will gather data to follow the evolution of markets, and it will also map European, national and regional policies, research and innovation capacities, and the scale of related public and private investment. It will be coordinated by the Joint Research Centre, the Commission's in-house science service. The information gathered will be made available to the public via a dedicated web portal, which will be operational by 2014.

As well as providing data on the size of the bioeconomy and its constituent sectors, the observatory will track a certain number of performance measures, including economic and employment indicators, innovation indicators and productivity measures, and measures of social wellbeing and environmental quality. It will provide 'technology watch' and 'policy watch' services in order to follow the development of science and technology, as well as policies related to the bioeconomy. ■

Background

The EU's bioeconomic strategy is based on three pillars: 1. investment in research, innovation and skills for the bioeconomy. This should include EU funding, national funding, private investment and enhancing synergies with other policy initiatives; 2. development of markets and competitiveness in bioeconomy sectors via sustainable intensification of primary production, conversion of waste streams into value-added products, and mutual learning mechanisms for improved production and resource efficiency. For example, disposal of food waste costs the European taxpayer between 55 and 90 euro per tonne, and produces 170 million tonnes of CO_2. This waste could be transformed into bioenergy or other bio-based products, thereby creating jobs and growth; and 3. reinforced policy coordination and stakeholder engagement through the creation of a bioeconomy panel, a bioeconomy observatory and at regular stakeholder conferences.

BANKING

Member states advance on prudential rules

By Manon Malhère

The 14 February meeting of the Committee of Permanent Representatives (Coreper) focusing on the state of play of negotiations with the European Parliament on the reform of prudential rules for banks (regulation and directive, CRD IV-CRR) was constructive on the whole, a source told *Europolitics*. The Irish Presidency seems to have obtained support from the 27 on large portions of the compromises proposed with a view to wrapping up the long negotiations with MEPs. The next three-way political talks are scheduled for 19 February in Brussels. According to EP rapporteur Othmar Karas (EPP, Austria), these talks can be conclusive if the Council cooperates (see *Europolitics* 4585).

This reform adapts to the European Union the Basel III international prudential rules for financial institutions adopted by the Basel Committee.

On the short-term liquidity coverage ratio (LCR), the 27 may be willing to accept the EP's proposal, said a source. The Basel Committee's new provisions, adopted on 6 January (4560), propose to phase in application of this ratio between 2015 and 2019. The Council has backed this approach so far, while the EP defends full (100%) application of the ratio from 2018.

Coreper's discussions are also believed to have led to advances on the powers granted to the European Banking Authority (EBA) for resolving disputes between national authorities, but no details came out of the meeting.

The Council has to continue its efforts on certain subjects, in particular the EP-Council draft compromise reconciling the Council's additional systemic buffer with the additional capital requirements for systemically important financial institutions (SIFIs), another type of buffer proposed by the EP. The EP proposed the following compromise: these two buffers will have to be cumulative (MEPs insist on this) but a maximum threshold for these requirements would be set. The threshold for now is 8% of the sum of the two buffers. The states appear to be divided on this question, with some rejecting any threshold and others defending a lower threshold. This compromise is also expected to be reworked to satisfy certain states (banks' countries of origin).

The question of the limit on bankers' bonuses is still controversial. The EP has proposed to limit bonuses to the amount of fixed salary, ie a 1-1 ratio. It is *Europolitics*' understanding that many states support the draft compromise tabled some time ago, which sets a ratio of 1-1, but allows banks' shareholders to set a 2-1 ratio (bonuses limited to twice the fixed salary). States like the UK, Sweden and the Czech Republic are still opposed to this compromise, however. ■

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EDUCATION COUNCIL

National reforms on agenda

By Sophie Petitjean

The reform of the education systems will be the focus of the Education Council, which takes place on the morning of 15 February. The only tangible result of this meeting will be the adoption of conclusions on investing in education and training. The document – which has not yet been made public – is a response to the recent Commission communication 'Rethinking education' and the 2013 'Annual growth survey' (see box). The conclusions highlight priority areas for education reform with particular emphasis on improving overall skills and competence levels. Furthermore, the conclusions underline the importance of quality vocational education and training (VET) and the need to align VET policies with national, regional and local economic development strategies.

Education ministers will also hold a policy debate on 'Education and skills for jobs, stability and growth'. There will be two guest lead speakers: Lord David Puttnam, chancellor of the UK's Open University and well-known film producer, and Andreas Schleicher, deputy director for education and special advisor on education policy to the OECD's secretary-general. Ministers will be invited to indicate what practical action their countries are taking in the field of education and training in order to improve skill levels and employability, considering also the urgent need to reduce youth unemployment. The ministers will be asked to highlight in slightly more detail one practical initiative in their member state.

Over lunch, ministers will have an exchange of views with the social partners, discussing in particular skills gaps, deficiencies and mismatches. The Council will take note of oral information from the Presidency on the state of play concerning the proposal for a regulation establishing Erasmus for All. An informal three-way meeting (between the Council, the Commission and the European Parliament) to discuss the proposal for the first time is scheduled for 19 February. ■

Background

In its communication 'Rethinking education', which includes eight staff working documents addressing different areas of education and training, the Commission calls for a reorganisation of European education and training systems so that they can provide the right skills for today's world, particularly in the context of persistently high levels of youth unemployment across the EU. The 2013 'Annual growth survey' completes the Commission's package by making specific recommendations relative to: investments in education; early school-leaving; the transition from school to work; entrepreneurial skills; and the connection between education and labour market needs.

CONFLICTS OF INTEREST

Ombudsman looks into 'revolving doors' cases at Commission

By Sophie Petitjean

Do the EU institutions scrupulously implement rules concerning conflicts of interest in 'revolving doors' cases? The ombudsman will be looking into this issue, following a complaint from Corporate Europe Observatory (CEO), Greenpeace, LobbyControl and Spinwatch. The term 'revolving doors' describes a move by public sector staff to closely linked jobs in the private sector, or vice versa. There are EU rules to control these situations as there is increased probability that in the private sector the employee will make decisions that are related to his former or new role – a situation in which there is a potential conflict of interest. According to CEO, Greenpeace, LobbyControl and Spinwatch, EU institutions – particularly the Commission – do not always stick to the relevant EU rules. The organisations' complaint (filed on 16 October 2012) is based on the experience of ten former civil servants, who moved into the private sector without a preliminary Commission investigation [1].

The ombudsman announced, on 14 February, that he has asked the Commission to provide him with a list of all revolving doors cases it has dealt with over the past three years (the four organisations that lodged the complaint were denied this information). After having looked into these cases, the ombudsman will decide which of the individual files to inspect more in depth. If he finds indications of a systemic problem, he could decide to open an own-initiative inquiry. If this happens, the public could be brought in to make comments. Jorgo Riss, director at Greenpeace EU, said: "The ombudsman's investigation based on our complaint is good news for transparency. For too long, the Commission has turned a blind eye to the conflicts of interest that can arise when EU bureaucrats change jobs to become lobbyists, or when lobbyists start working in the EU administration". ■

Background

Currently, the Commission is under the obligation to examine any potential risk of conflict of interest when it employs a new civil servant or one of its employees leaves his or her job (a rule that applies over the two years following said departure). If the new job has the potential to lead to a conflict with the institution's legitimate interests, the Commission can deny authorisation for the job, or approve it subject to appropriate conditions.

The rules are the following:

- Article 11a ("officials in active employment") and Article 16 (departure of an EU civil servant) on the status of former staff
- Commission Decision 85-2004 on outside activities and assignments: rules for "officials on leave on personal grounds"

(1) Pablo Asbo, John Bruton, Mogens Peter Carl, Petra Erler, Marcus Lippold, Jean-Philippe Monod de Froideville, Magnus Ovilius, Eline Post, Derek Taylor and Marten Westrup

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MULTIANNUAL FINANCIAL FRAMEWORK

Why 908.4 bn euro in payments? Cameron's brainchild...

By Gaspard Sebag

On 8 February, EU leaders agreed to set the payments' ceiling – ie the spending limit – for the 2014-2020 multiannual financial framework (MFF) at the seemingly rather arbitrary level of €908.4 billion in 2011 prices. Why not a round number? *Europolitics* found out that the figure is the brainchild of British Prime Minister David Cameron.

Beyond safeguarding his country's rebate, Cameron's focal point in the MFF negotiations was the payments level. Pressed by Tory backbenchers and Labour MPs in the House of Commons, he needed to bring back a real-terms cut on the current spending period. The argument goes that since budgets are being cut back at home to reduce deficits, the EU should participate in the fiscal effort. This rhetoric is of high symbolic importance in the UK, as in several other member states.

In annual budgets, payments are always below the ceilings authorised by the financial framework. Yet in a move equivalent to comparing apples with pears, Cameron contrasted annual spending in the 2011 EU budget to the payments ceilings in the next seven-year multiannual financial framework in order to set out his starting point. During the negotiations, the UK asked therefore to freeze the MFF at the 2011 EU budget level (€126.5 billion) times seven, ie €886 billion.

This starting point was unacceptable for a huge majority of member states as it would have been miles below a real-terms freeze at €943 billion. It would also have meant setting the commitments level at around €930-940 billion, well below the €960 billion figure agreed upon by EU leaders.

Ahead of and during the February summit, Cameron showed a certain level of flexibility and was reported to be pushing for a payments figure starting with an eight but only slightly below €900 billion. This was still too low for many, including Germany, which was keen on catering to British demands to keep the UK onboard (see box).

During the February summit, European Council President Van Rompuy attempted to build consensus around a payments level set at €913 billion. He tried to use reason to get Cameron to climb up from below €900 billion. Van Rompuy asked the British premier to at least compare pears with the latest apples rather than the batch from 2011, which was historically small. Since last year's EU expenditure was significantly increased at the end of the year, totalling €133.1 billion (rounded up in 2011 prices) in the end, this could not fly in London. Yet, Van Rompuy's argument somewhat sunk in and was used to set out the British premier's fallback position. Cameron took the average of a historically low Union budget (2011) and a comparatively high one (2012), and multiplied that by seven. That is how he set out his absolute red line: €908.5 billion, ie a real-terms freeze on the average of these two annual EU budgets.

The ummit discussion on payments, where input came mostly from the big three – Germany, France and the UK – inched up, billion by billion. From the low nine hundreds, it moved upward, slowly, to 906, 907, 908 until, finally, €908.5 billion was suggested. At that point, Cameron said he would settle for €908.4 billion and not a euro more and this was agreed, grudgingly by some. By obtaining a €100 million concession on €908.5 billion, the British premier knew he would be able to defend a real-terms cut in front of any British MP. ■

Small price to pay

For German Chancellor Angela Merkel there was a clear prize in vindicating British payments demands. The thought of a British exit – know as a Brixit – from the EU, much discussed recently due to the prospect of an in/out referendum in the UK, is certainly not one Merkel would like to entertain. Generally speaking, Germany and other Northern states share with Britain a free trade perspective, a liberalisation agenda and fiscal discipline outlook, amongst other things. Losing such a major ally as the UK would skew the balance in the Council and the European Council in favour of the Southern and Eastern states. Therefore, cutting payments more than Merkel would have liked was probably not a big price to pay to fortify Cameron's position at home and push back the spectre of a Brixit, says a source actively involved in the talks.

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DEFENCE COUNCIL

EU still feeling its way on defence capacity

By Eric van Puyvelde

The debate on the principle of a European defence capacity reflects "a renewed impetus for developing military capacity for the EU's Common Security and Defence Policy," said Ireland's Minister for Justice, Equality and Defence, Alan Shatter, who chaired the informal session of EU defence ministers, on 12-13 February in Dublin. But "much work remains to be done" in relation to a European Council on defence, planned for December. In his opinion, there is "a unity of approach from all sides that view defence as critical to the security of the people of Europe and indeed security in the world".

The ministers discussed in this connection a document drawn up by the European External Action Service (EAS) and the European Defence Agency (EDA) on the CSDP, based on building defence capacities. The text provides for better information exchange between countries on equipment procurement, cooperation on defence investments and cooperation on research, in particular on dual-use goods (civilian and military). The ministers highlighted the latter point in relation to projects eligible for financing under the Horizon 2020 framework programme (2014-2020).

In preparation for the December Council, High Representative for Foreign Affaairs Catherine Ashton will present a report in September and the Commission's task force on defence industries and markets will present its conclusions before summer. The task force is charged with completing the internal market for defence equipment and enhancing the competitiveness of the European defence industry. It has identified three priority areas for action: the internal market, industrial policy and research and innovation.

But "much work remains to be done" in relation to a European Council on defence, planned for December.

MALI

The ministers had a detailed exchange of views on Mali and were briefed by the commander of the EU Training Mission (EUTM) in Mali, Brigadier-General François Lecointre. All the ministers agreed on the usefulness of this mission. Its deployment is imminent but has been delayed by the lack of material means and staff, as France does not intend to be the only country to provide protection forces. During the meeting, Spain and the Czech Republic are understood to have promised to contribute to this protection. Maciej Popowski, deputy secretary-general of the EAS, said after the meeting that the mission may go into action in April.

SOMALIA

The ministers were also briefed by the commanders of Operation Atalanta (Rear Admiral Robert Tarrant, newly named operation commander of EUNAVFOR Atalanta) and of the European training mission in Somalia (Brigadier-General Gerald Ahern of the Irish Defence Forces) on developments in the Horn of Africa and on the progress of these two missions. On tackling piracy, "we have made a lot of progress but there is no room for complacency," commented Tarrant. The number of piracy attacks has gone down significantly, noted the ministers, but the pirates are still there and work is needed with the authorities of the countries of the region because piracy starts ashore. These countries need to be helped with policing their territorial waters, one of the objectives of the training mission now under way.

EU-UN PARTNERSHIP

With regard to the EU-UN partnership, the ministers discussed ways of improving and stepping up practical support for UN peacekeeping operations. This is one of the Irish Presidency's priorities. Popowski observed that this partnership was very high on the priority list because the UN is also considering launching a UN peacekeeping operation in Mali, a blue helmet operation sometime in the future. ■

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EU/US

"We're rediscovering each other" on research, says Commission

By Brian Beary in Washington

In Washington for talks with the US administration on how to expand cooperation on science and research, a senior European Commission official said «I have the feeling that we're rediscovering each other». Speaking at a breakfast discussion organised by the European Institute, on 13 February, Robert-Jan Smits, director-general at DG Research and Innovation, said «both sides are eager to do more». Four specific areas for collaboration were identified at a meeting Smits held with Kerri-Ann Jones, US assistant secretary of state for oceans and international environmental and scientific affairs. The two sides agreed to «swap notes» on research into cures and vaccinations for poverty-related diseases, such as HIV-AIDS, tuberculosis and malaria. The second area was the marine and Arctic regions, where there were «huge opportunities» for collaboration between the EU, the US - and with Russia. On transport, the focus would be to develop «eco-vehicles» that are more energy efficient, he said. The Commission official also signed an agreement with the US Department of Transportation to boost cooperation on transport research, including highway infrastructure and road safety. The fourth priority was «rare earths» and here Japan would also be drawn into their collaboration. Following his Washington trip, Smits departed for Boston to attend the American Association for the Advancement of Science's annual meeting, a major event that draws some 10,000 participants.

BUDGETARY DIFFERENCES

Commenting on the European Council's 8 February deal on the EU budget from 2014-2020, Smits noted that research was the only policy area whose budget was increased - by €14 billion - compared with the 2007-2013 budget. There will therefore be money available to fund the four aforementioned priority areas for transatlantic cooperation. Smits contrasted the EU budget increase with the "very difficult" funding situation in the US, where Congress and the US president are engaged in intense talks to prevent drastic spending cuts from automatically taking effect on 1 March - the so-called sequester debate. Asked if the EU's new framework programme for research, Horizon 2020, would be easier for non-EU parties to access than its predecessor FP7, Smits assured the audience that it would due to the Commission's «radical simplification» proposals. "Horizon 2020 will be completely based on a trust approach and not on audits, controls and more audits," which should enable grants to be given out much faster, he said. Probed on the growing tendency of governments to limit the copyright protections enjoyed by publishers of scientific journals, Smits insisted "open access is the rule of the game". It was "logical," he said, that «everything which is financed through public funds needs to be available immediately to everyone». Publishers should "look for new business models" and "don't try to stop the 'open access' movement". ■

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EU/US

October 2014 deadline for concluding new trade pact

By Brian Beary in Washington

The Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US should be concluded «over the life of this Commission [...] that's the timeframe we're offering,» the White House has said. With the Barroso Commission's term of office expiring on 31 October 2014, that means Washington is offering a tight window for clinching this historic deal.

«We don't want to spend ten years negotiating what are well-known issues and not reach a result,» said Michael Froman, President Barack Obama's top advisor on the issue, briefing journalists, on 13 February. The goal is to get it done «on one tank of gas,» he said.

Asked whether sensitive issues like GMOs might be excluded to improve the chances of success, Froman was adamant that «everything is clearly on the table,» adding «we understand there will be sensitivities of issues on both sides».

As for the next steps, unlike the Commission, which needs to get a negotiating mandate from the Council of Ministers, Obama can start trade talks without a formal mandate. However, he is required to notify Congress in writing and confer with the key committee leaders on Capitol Hill for 90 days before he begins. In addition, he must publish a notice in the federal register and allow a 90-day period for stakeholders to comment. Therefore, it will be summer time before the talks are formally launched. But as Froman pointed out repeatedly, EU and US officials have been discussing these issues for more than a year already informally and will continue to do so. The TTIP will have three pillars: market opening for goods and services; a mechanism to prevent EU and US regulatory divergences hampering trade; and a common approach to global trade challenges. ■

In brief

Euratex welcomes EU-US initiative

Euratex, the European Apparel and Textile Confederation, welcomes the joint decision taken by EU and US authorities to start negotiations to conclude a trade and investment agreement (see *Europolitics* 4586). As signalled on 14 February by EURATEX President Alberto Paccanelli, "these are very positive news in a moment the EU textile and clothing industry is relying on exports as an engine for growth. The US is one of our key priority markets and we are confident that this agreement will substantially increase our trade and investment flows". Euratex recalls that the US ranks among the top five export destinations for the EU textile and clothing industry with exports amounting to more than €3.8 billion. But "there are a lot of areas where we can improve trade and business between the EU and the US. For our sector, tariffs are still high in the US - in some cases above 16% - and in the regulatory field we should work towards harmonisation as a way to facilitate trade and reduce the costs for companies on both sides of the Atlantic," Paccanelli stated. Euratex has already submitted detailed comments on the areas that should be discussed in order to improve trade and business relations between the EU and the US, said the statement.

GDP drops in EU

Compared with the same quarter of the previous year, seasonally adjusted GDP fell by 0.9% in the eurozone and by 0.6% in the EU27 in the fourth quarter of 2012, after -0.6% and -0.4%, respectively, in the previous quarter. During the fourth quarter of 2012, GDP in the US was stable compared with the previous quarter (after +0.8% in the third quarter of 2012). Compared with the same quarter of the previous year, GDP rose by 1.5% in the US (after +2.6% in the previous quarter). Over the whole year 2012, GDP fell by 0.5% in the eurozone and by 0.3% in the EU27.

EIB loan for Stockholm metro

The Europan Investment bank (EIB) provided a SEK3.5 billion (some €400 million) loan to Stockholm County Council (Stockholms Läns Landsting) for the development of the Red metro line. Thanks to the loan, modern trains will be purchased, the existing signalling system will be replaced with communications-based train control and a new underground depot in Norsborg will be constructed. The new metro trains will also be designed to minimise energy consumption and noise.

EU agenda

Friday 15 February

EUROPEAN PARLIAMENT

THE PRESIDENT'S DIARY

Bogotà, Colombia

■08:00 Speech at the University of El Rosario: "Colombia and the European Union: global challenges, democratic solutions"
■10:00 Meeting with Juan Manuel Santos, President of Colombia
■11:00 Meeting with Angelino Garzon, Vice-President of Colombia
■12:00 Meeting with Roy Barreras, President of the Senate of Colombia
■15:00 Meeting with Jorge Perdomo, Deputy Attorney

DELEGATIONS

EMPLOYMENT AND SOCIAL AFFAIRS DELEGATION TO GERMANY

13 – 15 February, Frankfurt and Berlin

A delegation of Employment and Social Affairs MEPs will meet various stakeholders in Frankfurt and Berlin to discuss progress on Employment Committee issues such as the European Globalisation Adjustment Fund, the regulation on ground handling services in EU airports and the Posting of Workers Directive. The delegation, led by Employment Committee Chair Pervenche Berès (S&D, FR), is composed of Edit Bauer (EPP, SK), Jutta Steinruck (S&D, DE), Marian Harkin (ALDE, IE), Thomas Mann (EPP, DE), and Birgitt Sipel (S&D, DE).

THE 36TH INTER-PARLIAMENTARY MEETING EP-AUSTRALIA

11 – 17 February, Sydney, Australia

Seven MEPs will travel to Sydney, Canberra, Adelaide and Port Lincoln to meet Federal and State Legislature MPs. The delegation is composed of Regina Bastos (EPP, PT), Elisabeth Jeggle (EPP, DE), David Martin (S&D, UK), Emilio Menéndez Del Valle (S&D, ES), Monika Panayotova (EPP, BG), Hannu Takkula (ALDE, FI), and Giles Chichester (ECR, UK) The 36th EP-Australia inter-parliamentary meeting will discuss the environment, energy resources, trade with Europe and Australia's role in the Asia-Pacific, agriculture, including aquaculture and fisheries management.

DELEGATION OF THE COMMITTEE ON DEVELOPMENT TO COLOMBIA

11 – 15 February, Bogotà, Colombia

Four MEPs from the Development Committee will pay an official visit to Bogotà. The delegation is headed by Ricardo Cortes Lastra (S&D, ES) and composed of Santiago Fisas Ayxela (EPP, ES), Agustin Diaz De Mera (EPP, ES) and Catherine Greze (Greens/EFA, FR). The delegation will study the difficult situation of displaced people and the land grabbing. MEPs will meet with representatives of the government, local authorities, farmers' associations and other officials and civil society members. They will also go on a field visit to Cali - Valle del Cauca y Cauca.

71ST EU-TURKEY JOINT PARLIAMENTARY COMMITTEE MEETING IN ANKARA

13 – 15 February, Ankara, Turkey

13 MEPs will take part in the 71st meeting of the EU-Turkey Joint Parliamentary Committee in the Grand National Assembly in Ankara. The delegation is lead by Hélène Flautre (Greens/EFA, FR. MEPs and their Turkish counterparts will discuss the current state of play in Turkey's EU accession negotiations, the situation in Syria and its impact on Turkey and the EU. Turkey's new constitution will also be debated, in the context of fundamental rights and freedoms. MEPs will also meet representatives of the Turkish government and civil society.

MEPS TO OBSERVE PRESIDENTIAL ELECTIONS IN ARMENIA

15 – 19 February, Yerevan, Armenia

A delegation of 7 MEPs, chaired by MEP Milan Cabrnoch (ECR, CZ) will go to Armenia to observe the presidential elections on 18 February. MEPs will be deployed in Yerevan and other parts of the country as part of the international OSCE/ODIHR election observation Mission. Preliminary observations will be delivered at a press conference in Yerevan on Tuesday 19 February (time and place tbc).

COUNCIL OF MINISTERS

EDUCATION, YOUTH, CULTURE AND SPORT (EYCS)COUNCIL

Brussels

POLITICAL AND SECURITY COMMITTEE (PSC)

Brussels

FOUNDATION FORUM 2013

14 – 15 February, Dublin

BIOECONOMY STAKEHOLDER CONFERENCE

14 – 15 February, Dublin

EUROPEAN COMMISSION

TRAVEL AND VISITS

■Androulla Vassiliou receives Daria Nalecz, Undersecretary of State in the Ministry of High Education and Sciences of Poland
■Stefan Füle receives Vesna PUSI , Deputy Prime Minister and Minister of Foreign and European Affairs of Croatia, and Zlatko Lagumdzija, Minister of Foreign Affairs in the Council of Ministers of Bosnia and Herzegovina, on occasion of the EU-Bosnia and Herzegovina-Croatia trilateral meeting
■László Andor participates in the Eurofound Forum on "Social and Employment Policies for a Fair and Competitive Europe" (Dublin)

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ECONOMIC AND SOCIAL COMMITTEE

09:00-13:00
Audit Committee meeting, JDE60

09:30-13:00
CCMI/109 - 2eme r. GE - CARS 2020, JDE61

Saturday 16 February

EUROPEAN PARLIAMENT

DELEGATIONS

THE 36TH INTER-PARLIAMENTARY MEETING EP-AUSTRALIA

11 – 17 February, Sydney, Australia
See Friday.

MEPS TO OBSERVE PRESIDENTIAL ELECTIONS IN ARMENIA

15 – 19 February, Yerevan, Armenia
See Friday.

Sunday 17 February

EUROPEAN PARLIAMENT

DELEGATIONS

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CONFERENCES AND SEMINARS

Seminar
"A BRAZILIAN PERSPECTIVE ON THE EU TRANSITION TO MORE SUSTAINABLE BIOFUELS "

6 March, Brussels
Organisers: Brazilian Sugarcane Industry Association (UNICA), Brazilian Mission to the European Union, ApexBrasil,
Venue: Residence Palace, 155 rue de la Loi, Brussels, B-1040 09:45 - 13:00 PM

EUROPEAN DEFENCE MATTERS

8 March, Brussels
The European Defence Agency's annual conference. Speakers include: President of the European Council Mr. Van Rompuy, President of the European Parliament Mr. Schulz, EADS CEO Mr. Enders, NATO SACT's Gen. Palomeros, Belgian Minister of Defence Mr. De Crem, Bulgarian Minister of Foreign Affairs Mr. Mladenov and Dassault Aviation CEO Mr. Trappier
Venue: Albert Hall Complex
www.eda.europa.eu

8TH ANNUAL WORLD BIOFUELS MARKETS CONGRESS & EXHIBITION

12-14 March, Rotterdam
Bringing together the experts driving the commercialisation of advanced biofuels forward to examine the latest developments in cellulosic ethanol, renewable diesel and synfuels. With a total of 14 Conference streams and two academy sessions.
Organisers: Green Power Conferences
www.worldbiofuelsmarkets.com

4TH EUROPEAN SUMMIT ON PRIVATE SECURITY SERVICES

14-15 March, Madrid
The 4th Summit will again bring together stakeholders from all European countries, active in the field of private and public security.
Organisers: CoESS, the Confederation of European Security Services, and Aproser, the Spanish Association of Private Security Companies,
Venue: CEOE Premises
Registration: Marlyse Hanssens, secretariat@i-b-s.be. Fax: 0032 2 460 14 31

RECS MARKET MEETING 2013

20 - 21 March, Berlin
The RECS Market Meeting is the conference to get valuable insights into the renewable energy market in Europe.
Venue: Hotel Melia, Berlin
www.resmarket.eu for more details.

4TH EUROPEAN CONFERENCE ON RENEWABLE HEATING AND COOLING

22-23 April, Dublin
The 2013 Conference is set to discuss with leading experts from around Europe the most promising technology options and contribute to identifying the research, development and demonstration projects to be recommended for "Horizon 2020", the coming EU framework programme for research and innovation.
Contact: Mai Olden 00353 (0)1 497 4866, dublin2013@rhc-platform.org
http://rhc-platform.org/conference2013

EUROPEAN BUSINESS SUMMIT - NEW TRENDS IN INDIUSTRY

15-16 May, Brussels
Every year, EBS attracts in Brussels more than 2,000 participants from over 60 countries, european commissioners, prime ministers, high-ranking individuals and about 200 journalists.
Organisers: Businesseurope
www.ebsummit.eu

41ST ANNUAL ASECAP DAYS

26 – 28 May, Dubrovnik, Croatia
The 41st annual study and information days of the European Association of Operators of Toll Road Infrastructures (ASECAP) will explore the role of the toll roads in promoting sustainable growth.
www.asecapdays.com

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INTERVIEW WITH THIERRY PHILIPPONNAT, SECRETARY-GENERAL, FINANCE WATCH

Banking reform: Paris and Berlin may pre-empt EU reform

By Manon Malhère

Paris and Berlin may well try to influence the EU's plans to restructure the banking sector. With the European Commission planning to legislate by the end of the year, two bills are being negotiated in these two countries. For Thierry Philipponnat, secretary-general of Finance Watch (an association that seeks to act as a counterweight to the financial industry lobby), there is no doubt that there is a «risk that the European debate will be pre-empted». «There is a real danger that France and Germany may adopt virtually useless banking laws,» contrary to the recommendations of the report by the group of European experts on banking reform chaired by Erkki Liikanen, warns Philipponnat. The Liikanen report, presented to the Commission as input for the drafting of its legislative text, proposes to oblige bank groups to place certain of their high-risk market activities in a separate legal entity (see Europolitics 4499*). This reform aims more generally to ensure that banks are more robust and less interconnected, to protect depositors and to put an end to implicit state guarantees (protection of taxpayers).*

You are very critical of the French bill concerning the separation of high-risk activities. Why?

The French bill is being referred to as the 'separation law' but we don't really see what is going to be separated. We don't see anything. Why? Because the French bill provides for not separating useful activities. This may seem like a good approach but it defines usefulness as what is done with a customer. But 100% of banks' activities are carried out with customers. Bankers themselves acknowledge that there is nothing in this measure.

So can we say this would implement the Liikanen report?

The French authorities in the broad sense explain that the French law will implement the Liikanen report. That is false. This Liikanen report recommends a separation of market activities above a certain threshold. The French are saying: «market activity is useful, so we will not separate it». They only target proprietary trading, which is simply pure speculation. Derivatives activity is not at all separated. Yet it consists of taking risky positions on markets. Now the question is whether or not we want this activity to be carried out using customers' deposits and public guarantees. Finance Watch obviously thinks that this is not necessary and even harmful to society.

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"The question of financing the economy is a red flag waved to frighten political leaders"

Do the French bill and the German proposal – which seem to be along the same lines – endanger the EU reform plans?

There is a real danger that France and Germany may adopt virtually useless banking laws. The Commission is expected to legislate on the question in the third quarter, probably in September. If France and Germany have just passed their laws at that time, we have a risk that the European debate will be pre-empted. And if these laws are basically toothless, the debate will be over, because I don't see how the Commission could present a legislative proposal that is not compatible with these laws.

So the Commission has no room for manoeuvre?

I am certain that technical and political influence are being used to learn who will pre-empt the debate. On the other hand, I would not say that the Commission has no room for manoeuvre. It still has a strong position.

The British bill based on the Vickers report proposes to isolate retail activities. Is it more relevant?

Unlike the French and German bills, the British proposal has content. It proposes a real separation of activities.

What's the best approach: Vickers or Liikanen?

Vickers regulates retail activities while Liikanen targets market activities, but both approaches reach extremely close and compatible conclusions. They lead to the real question, which is to separate proprietary trading from market making.

The industry claims that the Liikanen option can weaken banks' capacity to finance the economy. What do you think of that?

The question of financing the economy is a red flag waved to frighten political leaders. In Europe, an average of 28% of banks' balance sheets is used to finance the economy. So what is done with the remaining 72%? In fact, we are dealing with a small fraction of banking activity. If activities had to be reduced, this could concern something other than financing of the economy. For example, between 2000 and 2011, global derivative exposures increased by 700% while global wealth (GDP) increased by 70%.

But these activities can be useful to protect companies from financial risks…

Yes, obviously. But when derivatives expand by 700% and the economy by only 70%, it is immediately clear that it is not the real economy that is being financed. For foreign exchange, for example, 4% of the market corresponds to global trade while the remainder (96%) represents speculation. ■

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