



House of Commons
European Scrutiny Committee

The European Commission's Annual Policy Strategy 2008

Thirty-second Report of Session
2006–07

Volume II

Oral and written evidence

*Ordered by The House of Commons
to be printed date 18 July 2007*

HC 519-II
Published on date 31 July 2007
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The European Scrutiny Committee

The European Scrutiny Committee is appointed under Standing Order No.143 to examine European Union documents and—

- a) to report its opinion on the legal and political importance of each such document and, where it considers appropriate, to report also on the reasons for its opinion and on any matters of principle, policy or law which may be affected;
- b) to make recommendations for the further consideration of any such document pursuant to Standing Order No. 119 (European Standing Committees); and
- c) to consider any issue arising upon any such document or group of documents, or related matters.

The expression “European Union document” covers —

- i) any proposal under the Community Treaties for legislation by the Council or the Council acting jointly with the European Parliament;
- ii) any document which is published for submission to the European Council, the Council or the European Central Bank;
- iii) any proposal for a common strategy, a joint action or a common position under Title V of the Treaty on European Union which is prepared for submission to the Council or to the European Council;
- iv) any proposal for a common position, framework decision, decision or a convention under Title VI of the Treaty on European Union which is prepared for submission to the Council;
- v) any document (not falling within (ii), (iii) or (iv) above) which is published by one Union institution for or with a view to submission to another Union institution and which does not relate exclusively to consideration of any proposal for legislation;
- vi) any other document relating to European Union matters deposited in the House by a Minister of the Crown.

The Committee’s powers are set out in Standing Order No. 143.

The scrutiny reserve resolution, passed by the House, provides that Ministers should not give agreement to EU proposals which have not been cleared by the European Scrutiny Committee, or on which, when they have been recommended by the Committee for debate, the House has not yet agreed a resolution. The scrutiny reserve resolution is printed with the House’s Standing Orders, which are available at www.parliament.uk.

Current membership

Michael Connarty MP (*Labour, Linlithgow and East Falkirk*) (Chairman)
David S. Borrow MP (*Labour, South Ribble*)
William Cash MP (*Conservative, Stone*)
James Clappison MP (*Conservative, Hertsmere*)
Katy Clark MP (*Labour, North Ayrshire and Arran*)
Wayne David MP (*Labour, Caerphilly*)
Jim Dobbin MP (*Labour, Heywood and Middleton*)
Nia Griffith MP (*Labour, Llanelli*)
Greg Hands MP (*Conservative, Hammersmith and Fulham*)
David Heathcoat-Amory MP (*Conservative, Wells*)
Kelvin Hopkins MP (*Labour, Luton North*)
Lindsay Hoyle MP (*Labour, Chorley*)
Bob Laxton MP (*Labour, Derby North*)
Angus Robertson MP (*SNP, Moray*)
Anthony Steen MP (*Conservative, Totnes*)
Richard Younger-Ross MP (*Liberal Democrat, Teignbridge*)

Witnesses

Wednesday 9 May 2007

Page

Mr Reijo Kemppinen, Head of European Commission Representation to the UK, **Mr Brendan Donnelly**, Director of the Federal Trust; **Mr Neil O'Brien**, Director of Open Europe

Ev 1

Wednesday 4 July 2007

Jim Murphy, Minister for Europe, Foreign and Commonwealth Office; **Shan Morgan**, Director, EU; **Anthony Smith**, Director of European Political Affairs.

Ev 15

Thursday 12 July 2007

Commissioner Margot Wallström, Vice-President of the European Commission in charge of Institutional Relations and Communication; **Mr Christian Leffler**, Chef de Cabinet; **Mr Tomas Niklasson**, Secretariat-General, European Commission

Ev 22

List of written evidence

Page

1	Andrew Duff MEP, Leader of the UK Liberal Democrat MEPs	Ev 26
2	Local Government Association	Ev 26
3	Delegation of the UK Independence Party in the EU Assembly	Ev 28
4	Timothy Kirkhope MEP, Leader of the Conservatives in the European Parliament	Ev 37
5	Research Councils UK	Ev 39
6	Offices of the City Remembrancer, City of London Corporation	Ev 43
7	Open Europe	Ev 47
8	The Federal Trust	Ev 52
9	Correspondence: Günter Verheugen, Vice President of the European Commission to Mr Bill Newton Dunn MEP	Ev 53

Oral evidence

Taken before the European Scrutiny Committee

on Wednesday 9 May 2007

Members present

Michael Connarty, in the Chair

Mr David S Borrow
Mr William Cash
Mr James Clappison
Ms Katy Clark
Mr Wayne David
Jim Dobbin

Nia Griffith
Mr Greg Hands
Mr David Heathcoat-Amory
Kelvin Hopkins
Mr Bob Laxton
Angus Robertson

Witness: **Mr Reijo Kemppinen**, Head of European Commission Representation to the UK, gave evidence.

Q1 Chairman: Reijo, welcome to our Committee and thank you for volunteering to come along and spend Europe Day with us. I believe it is Europe Day today.

Mr Kemppinen: It is.

Q2 Chairman: Welcome to you on this significant day, for those of us who believe in Europe. Europe and the EU is not a bad thing altogether. Unless you wish to make a statement, I am going to start off with the questions to you on the Annual Policy Strategy Document 2008?

Mr Kemppinen: By all means; I am all yours.

Q3 Chairman: I will start off. We have some questions about process about which you may be able to give us some enlightenment about. Could you explain to the Committee what you perceive as the purpose of the Annual Policy Strategy Document?

Mr Kemppinen: The Annual Policy Strategy is really there to present the Commission's proposals or key initiatives that we intend to take forward in the year and discusses in this case 2008. It is the basic document and informs the Commission Work Programme in which we identify the whole of our priorities for the incoming year and where we also address the issue in between those priorities and the resources that are needed in order to fulfil them.

Q4 Chairman: Is there anything special about the 2008 Policy Strategy Document in the way it has been treated that is different from what has gone before?

Mr Kemppinen: I think that the two major threads that go through the policy document insofar as 2008 is concerned are, on the one hand, the need to find an institutional settlement, which we hope will get under way on June 22 in the European Council this year, and will then lead later on to more substantial discussions with Member States. Secondly, it is more about continuing the delivery agenda that this Commission has set as one of its key priorities, and there the issues are well-known to the members of this Committee: issues regarding climate change,

energy policy and all the other issues that we have deemed important for the functioning of the European Union.

Q5 Mr David: I wonder whether I could just ask you to explain a little bit more about the process and the structured dialogue, in particular, of the other EU institutions and ask whether or not you can point to any examples in the recent past where the Commission has taken on board representations which have been made to it, and also whether or not you see any role for national parliaments in terms of this dialogue that you are talking about?

Mr Kemppinen: First of all, the preparation of this document is an on-going process and, in one way or the other, it takes place throughout most of the year; so it is not something that starts with any given date, even though, obviously, inside the Commission there are dates to be met in the proceedings so that the papers can be prepared. The on-going part of the process is certainly about consultation, and the Commission, through its different Directorates-General, will be informed about different needs for policy initiatives and the Commission's action. That part of the process, insofar as individual directorates are concerned, takes place through regular consultations and interactions with all stakeholders that are important and relevant to their field of policy. As I said, it goes on throughout the year and then it informs their work. By the time when the Secretary General who coordinates the preparation of this document asks the Directorates-General to submit their contributions to the Annual Policy Strategy, they will have a certain amount of time to prepare their contributions, which are then drawn together by the Secretary General into a simplistic document that, at the end of the day, is produced and published, as you see in front of you. Throughout this process, as I said, there is an active consultation, not only inside the Commission, but certainly also with many parties outside the Commission. That consultation is based on the discussions between the European Commission and the different committees and actors in the European Parliament, but also, later on, in the preparation of

9 May 2007 Mr Reijo Kemppinen

the Strategy with the Member States in the Council structures. As far as contributions from national parliaments are concerned, I think this Commission has emphasised all along how, not only willing, but even eager it is to receive more input and proactive participation from national parliaments, not necessarily anticipating the coming into force of the Constitutional Treaty. The Commission, nevertheless, decided already a year ago that it will start submitting its proposals also to national parliaments for them to be vetted, and it is encouraging all national parliaments to take as proactive a role as possible.

Q6 Mr Cash: Do you regard national parliaments as really just an inconvenient and rather obsolete aspect of the institutional structure of the European Union? You mentioned you thought that it would be a good idea for them to have a proactive role. How can they have a proactive role when, having sat on this Committee now for 22 years, I have observed the lack of response that we have had from the European Union, let alone the European Commission? Do you think that we ought to be able to override legislation where, as a democratic Parliament with the consent of British people, we actually believe that we should?

Mr Kemppinen: There are three things that I would like to say here; two of them are in an institutional sense and the third one as a more private observation. Firstly, when it comes to the European Commission taking into account or listening to the views of the national parliament, or members of the national parliament, in terms of informing it during the decision-making process, I think you will find that this Commission, and gradually also its predecessor, has grown to be more transparent and receptive to these kinds of interactions than maybe has been the case before. Maybe here it is part of that process, and I would use this opportunity also now to pledge my readiness and to give evidence to this Committee, or any other committee for that matter, on issues that are of interest and importance to you also later on in the future. Secondly, when it comes to the institutional part of how the governments' views and positions are prepared within each constitutional system, that is certainly the case, where every country decides what the best system is, but it is also the case that there are differences between different Member States as to what the role of the Parliament is when preparing national positions to be discussed later on in the Council. Thirdly, as a private observation, as a Finn I would say that I come from a tradition and a culture where the Government regularly goes before the national parliament and the relevant committee there to give its views and for them to be discussed ahead of the decision-making of the Council; but this is not to give a view that is based on something I think is best in the world or better than the system that you have here; it is just an observation. There are differences between different systems and maybe when you look at the whole it would be worthwhile to think that different options exist.

Chairman: Can I remind both questioners and witness that we have tried to allocate half an hour to each witness, and we have set ourselves quite a timetable in this whole process of looking at the Annual Policy Strategy Document. On that basis, we will be here until midnight. So could people make both questions and answers brief, sharp and to the point?

Q7 Angus Robertson: Last year the European Commission did a similar structure dialogue exercise and that fed into the subsequent Legislative and Work Programme. You have made mention of the Commission listening and taking things on board. Could you give specific examples where proposals were removed, added or amended to take account of the views outside the Commission?

Mr Kemppinen: I will give you two examples. First of all, the whole simplification process that is on-going, and one of the key priorities for this Commission, has been very much influenced by the views from the world outside. It is not only the case that when it comes to the number of initiatives that the Commission has proposed to either get rid of or to simplify or to consolidate, but it certainly is the case on the one hand when it comes to the Council deciding which of these measures eventually are not necessary, or can be simplified, where the external influence comes into account, but also, even before that date, our decisions and our proposals on how things could be simplified or legislation reduced is very much based on influence from the outside. Secondly, outside this context I can name only one example where this country, and discussions in this House, in particular, has been influential with the Commission's decision-making when it comes to the auditing of the Structural Fund. Less than a year ago Commissioner Kallas paid a visit to this House¹ where discussions took place with a different committee where the issue of national governments carrying out additional audits and, thus, vetting on their part—structural funding and structural expenditure in this Member State, and other Member States as well—was proposed, and that has later on led to a proposal from the UK Government which the Commission wholeheartedly supports. The first of the governments that has actually signed a document pledging for coherence and good administrative structural spending in their country was the Netherlands earlier this week, and we certainly hope that Her Majesty's Government follows suit later on.

Q8 Kelvin Hopkins: The German, Portuguese and Slovenian Presidency teams recently published an 18-month "trio presidency" programme, carrying through to 2008. Is that not setting up a kind of parallel organisation? Is it not really the Germans cutting past the Commission and the other institutions which represent all Member States, and should not the programme really be determined by

¹ See Minutes of Evidence of the House of Lords Select Committee on the European Union, 6 June 2006: <http://www.publications.parliament.uk/pa/ld200506/ldselect/ldcom/270/6060603.htm>

9 May 2007 Mr Reijo Kemppinen

the official institutions representing all Member States rather than a German-led trio with two smaller nations?

Mr Kemppinen: I think this is an on-going process that has its roots a couple of years back, when the initiative was taken forward by a number of Member States and strongly supported by the Commission. It is the Commission that has for long, if not suffered, at least witnessed certain weaknesses in the current system of presidencies where different presidencies have different sets of priorities; whereas for us and for our efficiency and for our ability to serve Europe better it is of utmost importance that there is more continuity, more coherence and more convergence insofar as the priorities for the next 12 to 18 months are concerned. So, in that respect, we have not only welcomed this initiative but we have also very strongly supported it. Having said that, you are absolutely right, in my view, to draw attention to the fact that this has to take place in full respect of the Commission's institutional prerogatives.

Q9 Kelvin Hopkins: What if a country like Britain, for example, does not like the trio programme and wants to say, "We do not agree with it"? How would they influence it?

Mr Kemppinen: That trio programme is subjected to a discussion in the Council of Ministers where each Member State can express its opinion, as is the case with all the incoming presidency programmes as well. Secondly, even more importantly, on the basis of the incoming presidency's programmes, it may well be that decisions can be taken or the presidency can put forward proposals in the Council context for decisions to be taken, but in all community legislation they are based on community and commission initiatives on which we do not follow only those three presidency programmes but very much the input that comes from outside the Commission, and it is based on the needs.

Q10 Mr Heathcoat-Amory: This strategy document will lead to concrete legal proposals in due course and the European Commission has a monopoly of initiative. The Commission is against most monopolies, but it seems to like the one that they have themselves. Do you think that it helps or hinders public confidence in this system when this rather secretive group of unelected people have the sole right to initiate legislation?

Mr Kemppinen: I would say that the answer to that question must depend on also how the Commission's single and sole right of initiative and the role of the Commission is not only perceived but presented in each given Member State, including by the media and respective Members of Parliament. The right of initiative of the Commission is there for a good reason, and I am sure that there is not one single member of this Committee who does not know that or does not know why it is there. I would argue that in the EU 27, and possibly an increasing number of Member States, it becomes even more important that you have an efficient institution that is there to look for the common good in Europe and to present proposals on that basis.

Q11 Mr Heathcoat-Amory: But the European Union sometimes poses as a democratic institution. No other democracy in the world of any sort would tolerate a system whereby an unelected body has a sole right of initiative. It is intolerable in the modern world, surely?

Mr Kemppinen: I would say this. In the Europe of 27 it seems to be that Member States, in unanimity, not only tolerate this system, but they also want to keep it intact.

Chairman: Can we turn to some of the proposals contained in the Annual Policy Strategy Document 2008, which I am sure you have read with interest as many times as we have read it recently. We will take some of the items mentioned in that. Mr Cash.

Mr Cash: With regard to this issue of better regulation, the Commission has a programme. Mr Verheugen, who is a commissioner after all, says that it is costing the European economy £600 billion a year. On that basis, given that they are proposing better regulation, what are the areas where it is proposed that this reform should take place and how are you actually going to go about it given the *Acquis Communautaire*? We are not interested in just consolidating but actually getting rid of a lot of this unnecessary burden.

Q12 Chairman: I think the reference is mentioned on pages 15 and 16 of the Annual Policy Strategy Document which we have received.

Mr Kemppinen: First of all, I think that you can find an extensive explanation of what the impact assessment and what the better regulation initiative is about and what the state of play there is. I can also provide you with further detailed documentation as to the scope and a detailed list of individual proposals that we have either proposed to withdraw or to simplify their content.² Insofar as I understand, we still have some 30 odd proposals pending before the legislator waiting for their decision whether or not the simplification can be taken forward in that case, and therein lies part of the answer to the second part of your question. When you look at the questions where you can simply or not legislate at all, it is quite easy in one national context, or maybe in one political context, to agree what is unnecessary. It becomes much more complicated when there are discussions between different political parties or different Member States.³ What other people think as an unnecessary cucumber directive might be quite vital or important to a particular group that would fight tooth and nail to keep it alive. We are there to arbitrate, we are there to see that the overall view and balance is kept, but, more importantly (and I emphasise this as an important point), the President of the Commission said it when taking office and has repeatedly said it over and over again over the past two years, the Commission takes the simplification issue very, very seriously. We think that it is the right way to reform the European economy and the European single

² See Official Journal of the European Union OJ Nos C66, 22.03.07, p 6 and C64, 17.03.06, p 3.

³ Ev 53.

9 May 2007 Mr Reijo Kemppinen

market as such. As far as the impact on the Acquis Communautaire is concerned, given that we do not actually innovate that much, we do not actually invent legislative initiatives ourselves, but they are based on initiatives, input coming from the outside, the overall number of initiatives that are taken on a yearly basis has not been reduced dramatically, simply because we are carrying on work that is based on an existing single market, existing legislation and Acquis Communautaire. When it comes to the cost or the burden put by the European legislation on business, I happened to see that figure being quoted. I have asked my staff to look into it to find out whether we could get the document and the analysis that it is based on, but before we have seen it and before we have had time to analyse it, I cannot give you a detailed comment on that.

Q13 Chairman: Could you write to us and present us with the evidence: because we will be meeting Commissioner Wallström, and obviously we would like this not to be in such a vague area and have some real perception of what a hard answer would be to this question which we would then take up with the Commission?

Mr Kemppinen: We can write to you and we can submit a detailed list of the initiatives that are subject to the simplification programme.

Chairman: That would be very useful. Mr Heathcoat-Amory.

Q14 Mr Heathcoat-Amory: One of the proposals (and it appears on page six of the Strategy Document) is for further measures on migration and asylum to achieve “a common asylum system by 2010”. That is an enormous advance or retreat, whichever way you look at it, but it does have profound implications because people when they vote in national elections like to think that their vote will influence the immigration and asylum policies of a future government, and the Convention on the Future of Europe had as its aim to bring Europe closer to the people. Surely erecting a system of asylum at European level takes you to decisions not nearer to the citizen but further away from the citizen. How can this be reconciled with the need for democracy in the European Union?

Mr Kemppinen: I think there are two parts to that question. First, there is a procedural part, that is all the initiatives that the Commission takes are based on the existing treaties and, unless those treaties are modified, either by reducing or increasing the powers of the community, that is precisely the basis on which we act and that is the basis on which the common asylum system proposals will also be drafted. Secondly, they are always based also on an expression of will or an expression of interest from the European governments to do so, and this issue, a common European asylum system, has been discussed on several occasions at European Council meetings as well where heads of state and government have expressed their interest and decided to have that. That is why the case is and why some of these decisions may appear that are taken later on further away from the citizen. It may well

appear so, but, at the end of the day, when it comes to asylum seekers or, let us say, illegal or legal immigration, increasingly the problem is not only on British borders, it is on European borders. When you look at the things which are happening in Northern Africa, when you look at the pressure that the Spanish authorities were subjected to in Lanzarote a few months ago, it is evident to most people these are issues that we need to discuss and tackle together, and that is what the European institutions are for.

Q15 Kelvin Hopkins: Climate change: how likely is it that the community will meet its own current emissions reduction target, and how can the European Union influence other countries, such as India and China, to make sure that they do not contribute to climate change with their economic activities?

Mr Kemppinen: First of all, you will have noted that the decisions that the European Council took on the proposal of the Commission this spring when it comes to the overall reduction targets are quite ambitious, and I know that in this room but also elsewhere there has been some criticism and some scepticism over our ability to achieve those targets given the experiences that we have had, especially from the first round of the Emissions Trading System and the National Allocation Plans. So far 20 National Allocation Plans have been vetted by the Commission. We have taken a very harsh line on that, in view of the next round of decision-making. The latest one of these plans, that of Estonia, was discussed and decided by the Commission earlier this week only, where we have introduced substantial changes and reductions to the overall allocation that Estonia was given. We are really serious about bringing Member States to face up to their responsibilities, and not only their responsibilities but their commitments. When it comes to the European Union achieving a goal, whether it is 30%, which we hope will be the case but provides for a global solution, or whether it is an autonomous 20% reduction within the same time, in both cases it is not only the European Council that is needed, action from national governments is needed. The Emissions Trading System, and the next phase that we are currently looking into, is an important element in that, but we also need support from all Member States, especially this one, where this issue has been very important for a long time, in order to get our way and goals achieved. When it comes to the probability of getting other players globally with us, I think the picture is obviously more nuanced, but we have positive and encouraging signs also from the United States, maybe not necessarily from the present government when it comes to agreeing to an overall allocation and overall reduction caps, but certainly from individual states like California. Also, Australia and other countries that are taking an increasing interest in the models that we have developed, and we are pretty sure that the train is moving, in that respect, in the right direction.

9 May 2007 Mr Reijo Kemppinen

Q16 Mr David: Looking ahead to the near picture, we have got an election of a new President in France. Would the Commission anticipate a reorientation of the priorities of the French Government: for example more emphasis on the Lisbon agenda? Is that anticipated by the Commission?

Mr Kemppinen: How shall I put this? The political priorities for the new French Government have been subject to surprisingly little discussion in Europe. I think most of the discussion has been focused around the institutional or constitutional reform and what the outcome would be whether this candidate or that candidate won the election. I think it is too early to tell. President Sarkozy, while candidate Sarkozy, has said many things about Europe and about the European Union and about European economic reform and about France's role in Europe; most of them are highly positive and we regard them in a very positive light. Other things have been said as well, but it is different being a candidate from being a president. We prefer to see the elections, we prefer to see the Government and we prefer to see the government in action before we take further views on that.

Q17 Angus Robertson: Moving on to corporation tax, your own country, Finland, Austria and Ireland have made corporation tax policy an important part of their economic policy, having a variable corporation tax policy to elsewhere. Indeed, in the last few days we have learnt that both of the main parties in Northern Ireland are keen to be able to emulate the success of Ireland, and the new administration in Edinburgh will want to follow suit soon. Given the opposition of Member States, but also other non-state actors, why is it that the Commission has brought forward in your paper (and I take your attention to page eight) a "proposal

to allow enterprises to use a Common Consolidated Corporate Tax Base (CCCTB) for their EU-wide activities"? Why is the Commission proceeding with this when there are many people who are opposed to it?

Mr Kemppinen: One thing that I have learned in this business of the European Union is that whenever the "tax" word is mentioned there is never unanimity one way or the other. In the world of business it is certainly the case that we get a more nuanced picture and messages from business when it comes to the need to have a consolidated tax base. It is not at all evident that all business would be of the same opinion that some governments are when it comes to taxation, and this proposal certainly falls in the category of those where the wisdom of the initiative has not been bred in-house, has not been invented by us, but is based on input that we get from business and from several Member States. We think we should proceed with discussion. Whether and how far we can pursue it time can only tell, but we cannot sit on our hands simply because there are some Member States who are opposed to this question in principle.

Q18 Chairman: Thank you. I am conscious of our time and also yours. There will be one or two things you may wish to add later in writing, if you think over some of the discussions and questions that have gone on. One specific request we have made of you, but if there are any other things that you wish to write to us about, you are most welcome to do so. We will hopefully take all of this knowledge forward to a very fruitful discussion with Commissioner Wallström when we go to Brussels to meet her. Mr Kemppinen, thank you very much for coming along and speaking to us.

Mr Kemppinen: Thank you.

Witness: Mr Brendan Donnelly, Director of the Federal Trust, gave evidence.

Q19 Chairman: Mr Donnelly, can I call you Brendan?

Mr Donnelly: Yes, indeed.

Q20 Chairman: You have sent us a very long statement, which we have all read with interest, so maybe we can just start off with the questions, and they will be very similar in some ways to the questions that we have to ask everyone. Once again, the Annual Policy Strategy, certainly to us, is the first indication of the Commission's likely proposals for the following year and we know it feeds into the Work Programme where people took quite a lot of interest in the past trying to get ahead of the game. What do you perceive the role of the Annual Policy Strategy Document to be, and also you might want to specifically talk about this particular document, the 2008 document?

Mr Donnelly: I think I would put it in the context of the general evolution of Commission policy. I am not sure that 2008 is any different to 2007 or 2006, but I think the principle that you pointed towards of

getting in on the game as early as possible is absolutely right. Throughout the working year, throughout the political year, the European Commission is constantly evolving and refining its priorities, and one of the ways it crystallises these priorities is this Annual Policy Strategy. So, it is an opportunity for the national parliaments, among others, to get in, as it were, on the ground floor essentially, in my view, by their interaction with national governments, but that is something we can talk about later. I certainly think that the opportunity to be pointed towards the areas in which the European Commission expects to be active is very a interesting road map, set of sign posts for national parliaments and for other interested participants.

Q21 Chairman: To what extent do you consider this year's Annual Policy Strategy Document to be a useful planning tool for the dialogue that we have heard about between the EU and other institutions, and how far overall do you think this process is

9 May 2007 Mr Brendan Donnelly

useful? For example, how far do you expect the work programme to be affected by that dialogue with institutions?

Mr Donnelly: The dialogue with institutions, or the 'trialogue' if you include the European Parliament, is something that is going on all the time. The European Commission, on the whole, do not make proposals without having sounded out the ground certainly for national governments and often with the European Parliament. So, whilst it is important that we have this crystallisation of the process in the Annual Policy Strategy, I would say that I see it as being part of an on-going process. The European Commission is part of a set of relationships and it is interacting with them all the time. What I find interesting about 2008 is the priorities which are set in energy and in environment questions and in terms of security, in external relations, I think are useful and worthwhile priorities.

Chairman: We will come to the proposals contained in it later. We are really interested in this process. Certainly I believe this is the first year this Committee has ever engaged with the Annual Policy Strategy Document in any meaningful way. In the past people tended to get on board, the earliest would be the Work Programme. Now I think for many people in the institutions that are not within the EU or the EP the Annual Policy Strategy is beginning to rise above the surface. In the past I do not think many people saw the process of the Annual Policy Strategy Document in as clear a way as you have just seen it, but you may be looking in different a direction from people who are trying to run a sovereign parliament.

Q22 Jim Dobbin: Mr Donnelly, in your introductory statement you did mention national parliaments and the fact that we would be discussing this. National parliamentarians are jealous of the roles that they hold anyway and the job that they do. What do you perceive to be the role of national parliaments?

Mr Donnelly: I think the main role of a national parliament, and it has an important and essential role in the European Union, is to act as people who hold to account their national governments. I think that sometimes national governments have an interest in not making that too easy for national parliaments. There will be nothing very surprising in that. You are either the Executive with a majority in the House of Commons or you are hoping to become the Executive with a majority in the House of Commons. I think that fundamentally and logically the role of national parliaments, but a vital role, is that of holding to account their national governments, who are major actors, particularly in the case of the United Kingdom, in the Council of Ministers. It is worth pointing out that, of course, the Council of Ministers has its own procedures of majority voting on many issues, but the likelihood of the United Kingdom, on a matter of vast national interest to itself, being simply outmanoeuvred and outvoted by others is quite small. It happens very occasionally, but political pressure coming from home, from the parliament, is something which is going to stiffen the sinews, as it were, of the national

government and ensure that when they come back to you, when they have given an account of what they have done, they have as good a story as possible and one that reflects your interests.

Q23 Jim Dobbin: Have you been able, through your experience, to differentiate across Europe between the different national parliaments as to how they perceive this accountability?

Mr Donnelly: I think there is a convergence. I think more and more national parliaments are coming to understand that they have an important standing, an important role *vis-à-vis* their own national governments. We have always known that, for instance, the Scandinavian countries were very eager to keep an eye on what their national governments were doing. Because of the coalitions in those countries, it has often been easier for them to do so; there have not been stable majorities so it has been possible to threaten the government, as it were, if they did not do what you wanted at the European level, with walking out of the coalition. That was always something that was threatened. For instance (and the Federal Trust has been doing a fair amount of work on this question of accountability), in Germany, whereas ten years ago the Parliament was pretty well always prepared to accept whatever the Executive put before them, now they have a much more critical attitude. So I think there is a convergence on that.

Q24 Mr David: It is interesting that you put the emphasis very much on national parliaments holding national governments to account. Would you see a role (as I think this inquiry is an example of) for national parliaments being involved beyond that and having a direct relationship with the European institutions?

Mr Donnelly: Yes, I can see that, but I think it is something that, as it were, will have to be earned. The institutional structure is very clear. You have the Council of Ministers, you have the National Parliaments which put pressure on members of the Council of Ministers, and if there are serious and coherent policy positions being put to the Commission or to the European Parliament from any source, particularly from an authoritative source like the House of Commons, that will be taken account of. The House of Lords, which over the years has performed a remarkable service, in my view, of producing sometimes slightly abstract but nevertheless very precise and knowledgeable reports, is widely quoted and is very influential in the Brussels system. I think the House of Commons could achieve for itself such a position, yes.

Chairman: I think you might want to look towards the subject committees and departmental committees to have the time to do those kinds of reports rather than this Committee, which has to deal with every document that comes from Europe and very important topics like the contents of this Annual Policy Strategy. Mr David Heathcoat-Amory.

9 May 2007 Mr Brendan Donnelly

Q25 Mr Heathcoat-Amory: You mentioned earlier the importance of the energy proposals, but, of course, there is no energy chapter in the present treaties. There is one in the European Constitution, and that may or may not be revived, but as things stand it is difficult to see how the proposals on the European Strategic Energy Technology Plan, including nuclear waste management and an EU oil stock system, could be brought forward on the existing treaty. Do you detect in this policy strategy a straining at the leash, an anticipation perhaps that the Constitution will be revived or at least a lot of its proposals brought forward by other means?

Mr Donnelly: It is a legally arguable question whether or not, on existing treaty bases, it will be possible to bring forward proposals. Assuming that it is not, which clearly is an underlying assumption to your question, I think it is true that the Commission probably expect that in the not too distant future there will be some change to the European treaties which will clarify the legal position on energy. That would not necessarily mean that anything like the majority of the Constitutional Treaty was going to be implemented in any form, but I personally think it is extremely likely that in the successor document, whatever it is, to the European Constitutional Treaty there will be something on energy, that is entirely possible, and that may well have been in the minds of the people writing this document, not least because they know it is going to take a lot of time and effort to come to any consensus on these issues.

Q26 Mr Heathcoat-Amory: Does this not feed popular prejudice, in my view well grounded, that the Commission is always ahead trying to find new means, new legal bases and a new constitution to bring forward measures that they want, whereas the public want them to do better with their existing powers? I remember a past president of the Commission, Mr Santer, saying, "Let us do less but do it better." Has that all been forgotten?

Mr Donnelly: I do not know if Mr Santer has been forgotten, but some people perhaps think his contribution was not an entirely distinguished one, but that is another issue. Perhaps I can answer that by taking up a point you made to Mr Kempinen a moment ago. If the Commission put forward proposals, it is not they who are going to decide on whether those proposals are implemented or not, it will be the national governments, and those national governments will be democratically elected governments, responsive to others. So, when you put forward the thesis that the European Commission put forward things that they want but others do not, others have got plenty of opportunity to say if they do not want those things in the Council of Ministers and in the European Parliament. That I see as being the democratic guarantee of the European Union.

Q27 Mr Heathcoat-Amory: A lot of these measures will be decided by majority voting. So, even if this Parliament and this Government decide no, we could still get them because the Commission are proposing them?

Mr Donnelly: You would get them, as it were, because there is a majority in the Council which has decided. That is a difficulty always relating to majority voting in the Council. If you say, as some do, and it is a perfectly legitimate point of view, that you cannot have any democracy under majority voting in the Council of Ministers, that is a radical position, but that is not specifically raised by the Strategy Policy Document, it is inherent in any majority voting within the European Union, it seems to me.

Chairman: Can we turn to the proposal contained within the Annual Policy Strategy Document, which I am sure you are very familiar with? Mr Angus Robertson.

Q28 Angus Robertson: Does the APS match your view of what the EU priorities should be for 2008?

Mr Donnelly: Yes, it does in its content. In the note I circulated to you before, I think that some of its presentation, some of the rhetoric employed in it, is not very happy, but I think the priorities of migration, environment, energy, internal security are very much the priorities. I have some doubts about the Lisbon Agenda, which I have explained in the note, not because I am against it, but because I think it is too ambitious in its scope without the political mechanisms in place to bring it about.

Q29 Kelvin Hopkins: Are there any specific proposals which you are particularly keen on and, if so, why?

Mr Donnelly: I would say the external projection, the wider world. I think that what they have there, the Doha Development Round, the EUA Summit, the cooperation with Africa and with America, are important aspects of what they are doing. I also very much welcome the internal security element of the Commission's proposals. I think that is the right kind of results-driven agenda. I have expressed my doubts about the Lisbon Agenda and that sort of delivery agenda, but I think the delivery agenda and internal security and the protection of Europe's borders, not merely in a repressive sense, but also through working with our partners and our neighbours, is very much the sort of thing the European Union should be concentrating on.

Q30 Kelvin Hopkins: Under agriculture and fisheries, has there been any suggestion that the Fisheries Policy ought to be abandoned and repatriated to Member States?

Mr Donnelly: I am not aware of any serious proposals on that.

Q31 Kelvin Hopkins: It is often raised in our Parliament.

Mr Donnelly: I understood you to be asking me whether there was any view other than in this Parliament. I would not presume to lecture you on what goes on in your Parliament.

Q32 Mr David: I would like to press you a little bit more on your implied criticism of the emphasis on delivery. I think that many people here would say

9 May 2007 Mr Brendan Donnelly

that in a sense the European Commission should be congratulated on stressing things which matter to people, bread and butter issues, if you like. Perhaps you would like to explain a little bit more why you have got reservations about this emphasis on delivery?

Mr Donnelly: I think it is best exemplified in the question of the Lisbon Agenda. The Union has given itself highly ambitious targets in the economic and particularly in the modernising field and it has not set out, in my view, the central mechanisms whereby that would be a realistic task for the European Union to set itself. It has left it up. The national governments, perfectly reasonably, wanted to keep to themselves the responsibility for this modernisation. Different countries have done it at a different pace, in a different way and with different success and in the context of rather different social employment systems. So when, as it is clear, not all countries have done as well as the best, the European Union, as it were, have ascribed to itself a failure. We have not managed to modernise all the European Union's economies. When you look at Germany, for instance, which I think is now improving its economic performance, it is as a result of national decisions and a national political culture that it is where it is. The Lisbon Agenda, I think, was an unhappy attempt to say people are worried about the European Union. Let us show what it can do. It can turn Europe on its head and make it economically enormously more productive and enormously more successful than it was before. Some areas of Europe are doing very well indeed; others are not doing as badly as people say; but that is essentially on the basis of national decision-making.

Q33 Mr David: I think that is an interesting comment. It has certain implications for proportionality and subsidiarity. Would you agree with that?

Mr Donnelly: I am not by any means saying that the governments which adopted the Lisbon Agenda should have given to the European Union, to the European Commission, enormous far-reaching powers to bring about a modernising agenda throughout the whole of Europe. What I am saying is that, once they decided not to do that, it seems to me rather paradoxical to blame Europe if it does not happen, not least because countries like Germany and the Netherlands, quite rightly, have national governments who want to take credit for their economic success. They are not going to ascribe the success to the European Union, and who can blame them.

Q34 Mr Cash: On the question of better regulation, Mr Verheugen has famously said that it costs the European economy over 600 billion euros a year. This is a staggering amount. I have to say, Mr Donnelly, that listening to you (and I know from past experience you would be good enough to allow me to write in one of your publications) the extent to which the European Union is to be seen as a success or otherwise must depend on performance. The

reality is that reducing burdens on regulation is one of the most essential ways of achieving it. How do you see this being done in practice, given the *Acquis Communautaire* and the assumption which underlies pretty well everything that you express, which is because it is Europe you can leave it alone; it is fine; it will find its own level? Surely you have to deliver things, you have to make reforms, and the national parliaments ought to be given the right (and you have talked about the fact that we should earn the right, as it were, which I find pretty staggering in the circumstances) to achieve repeal on a scale that matches the requirements of the economy?

Mr Donnelly: Two points there, if I may. On the question of reform, what I said is something which I think would be attractive to many perhaps, particularly in this House, that national governments have wanted to retain to themselves an enormous margin of manoeuvre, an enormous right, or maybe exclusive right, to set the terms of their own economic modernisation and reform; and that means, inevitably, that there will be different success and different failures in different countries. That is decentralisation. The alternative would be to have a much more centralised arrangement which would confer much more power upon the central European institutions. That would create, it seems to me, difficulties of democracies and accountability just as great as any that we have discussed until now. On the wider question of regulation, of course much of any figure, derived by Mr Verheugen or anyone else, is dependent on assumptions, and those may or may not be justified. One important assumption that will need to be factored in is the burden of regulation on European business very substantially derives from national decision-making, and sometimes there is a European element which is pointed to as a justification, not always rightly, sometimes it is very much the domestically generated regulations that are themselves, if you like, offensive or harmful. I think that the European Union can in its majority, over a period of time, contribute to economic reform and economic modernisation, and I think it is good and right that it should do. Where I have some doubts about the rhetoric of the Commission is how quickly and successfully it, with the limited weapons at its control, can contribute to that process. If you favour a more centralised European Union, then you will favour more weapons for the European Commission and the European Union to hasten on the modernisation process. The obverse of not favouring such a centralised European Union is that it has to be for the national governments to decide the pace and the nature of their reforms.

Q35 Ms Clark: We heard some concern expressed in the evidence session with the previous witness about the proposals in relation to the Common Policy of Migration within this document. We would welcome your comment on the appropriateness of inclusion of proposals of this nature in this policy document.

Mr Donnelly: One specific question is that of a common asylum policy. A point to make in the context specifically of asylum is that this country is already very much bound, as are all the other

9 May 2007 Mr Brendan Donnelly

European countries, by various UN conventions which, in theory at least, mean that they already have a common policy which simply needs to be implemented. That there should be proposals coming from the European Commission for a common asylum policy does not seem to me quite as democratically problematic as the suggestion in the question already, because that is essentially the policy in place. As far as legal economic migration is concerned, it has always been understood that that is something primarily for the Member States. So, it is important not to run together asylum and legal economic immigration. The idea that within the Schengen area the European Union should do more on a coordinated and coherent basis to police its borders seems to be something that is very appropriate. If Britain ever joined Schengen then Britain will benefit from participating in that. That does seem to be a question that is much in the minds of the electorate as a whole.

Q36 Mr Clappison: I agree with a large part of what you said in your answer, but perhaps there was an issue which arose in the first part of your answer when you were answering about asylum. You said that we, and other European countries, obviously, had already got their international commitments on that, and you said that meant that it did not raise democratic problems of accountability that arise in some other areas. Surely, by the same token, that

raises a question whether it is necessary at all to have a European system of asylum. Is this not just another example of the Commission looking at an area and seeking confidence for itself in that area for the sake of it in order to enlarge its own powers?

Mr Donnelly: I do not think in this particular case that argument can be sustained. This is part of a process in which the governments have all participated. The governments have had plenty of opportunity to tell the Commission if they thought that they were behaving unnecessarily in this area. I think the point is that the general principles are clear but the administration of questions like the right of return, should you apply only to one country, can you apply to other countries, what is the relationship, what is your position, if you have family in a particular country and want to apply for asylum in another, are the sort of administrative and day-to-day issues where I do feel there is an important role for a common European policy.

Mr Borrow: I think Mr Donnelly has already dealt with the points I was going to raise in answer to Mr David.

Chairman: Can I thank you. You have been very concise and this has been a thorough but very focused session. Mr Donnelly, I thank you for coming along. If there is anything else you wish to write to us about that strikes you that may help our investigation of the Annual Policy Strategy Document, please do write to us again. Thank you for coming along and giving evidence.

Witness: **Mr Neil O'Brien**, Director of Open Europe, gave evidence.

Q37 Chairman: Mr O'Brien, we seem to have a trail of Irish origin, including my own, obviously, with the Donnellys and the O'Briens. I am sure that shows that we come from a nation that has a wider interest in Europe and not necessarily just in our own homeland. If you do not mind, I will call you Neil. You have given us a very thorough submission, which I read with interest, and it could probably make a document in its own right to interrogate you on, but I think we will stick to the Annual Policy Strategy Document 2008. You heard what we said about how this document forms a discussion document with other institutions and then hopefully leads to the Work Programme. Could I ask you what you perceive the role of the APS to be?

Mr O'Brien: I think that this is a useful document and a useful meeting for you to be having, because it is important for this Committee to try and get, as it were, further upstream in the process, and it is good to know what is coming, though I would say that it is only useful up to a point. It is good to know that certain ideas are in the pipeline. For example, there is a proposal in here which talks, in passing, about the Global Climate Policy Alliance as if this is something that we should all have heard of. It is not something I have heard of, even though I work full-time on the EU, and when you go on the Internet to search for what this Global Climate Policy Alliance proposal, is the only reference I can find in the entire world to it is in this document. So, the Commission

clearly have a very clear idea about what they want to do, but unless you start looking further upstream, like we are in this document, then it is very difficult to find out what is coming at you. I think that looking further ahead is useful but really there is only so much that this Committee can do with the current structure. Hopefully those of you who were on the Committee in 2006 would have got our proposal about how we think the powers of this Committee should be expanded and its mandate increased. I think the most important problem, which we sort of touched on before, is that the Executive at the moment is not playing by the rules. We have had something like 400 scrutiny overrides since 2001 alone, we are currently using Article 308 just under twice a month and I am glad to see that is now becoming an issue. In particular, there is a big piece in *The Independent* today about your skewering of Joan Ryan and her explanation of "when an agreement is not an agreement" and why this Committee can be by-passed.

Q38 Chairman: Can I suggest that maybe we are diverting into territory that we all dearly love but is not necessarily to do with the Annual Policy Strategy Document. Do you consider this year's Annual Policy Strategy Document, the 2008 one which is before us, to be a useful planning tool on which the Commission bases its dialogue with institutions?

9 May 2007 Mr Neil O'Brien

Mr O'Brien: Yes, this one does seem to be a bit crisper, or at least coherent, than previous ones. As I said before, a lot of this is at a very high level of generality. Various proposals are mentioned but not very well explained, and I think, as I have said before, more generally, there should be a greater attempt going much beyond this document to try and get focused on proposals in documents at a much earlier stage in the whole process.

Q39 Chairman: Do you think, therefore, that this process and this document, which will obviously lead to the Work Programme, that will take into account the views of the institutions with whom the dialogue takes place, or do you find that it comes out of the Work Programme much as it went in as the Annual Policy Strategy Document?

Mr O'Brien: I am afraid I think that national parliaments in this Committee are very much at the end of the food chain. I thought it was significant before that there were very few examples of how national parliaments have influenced the Commission's Work Programme. I think that other factors are a lot more important. Principally this is about the Commission driving its own agenda.

Q40 Chairman: If you do not mind me asking a couple of supplementaries to yourself specifically. This is the first Annual Policy Strategy Document, I believe, that will be put to COSAC by the Commission. It has not been done before. Also, they now have Commissioner Wallström, someone with a specific role of relations with individual parliaments, national parliaments, and there is clearly a stated position that they will do better on this particular Annual Policy Strategy Document than they have done in the past?

Mr O'Brien: Yes. I find it amazing that it is the first time they have presented this to COSAC, so it is an improvement but from a very, very low baseline.

Q41 Jim Dobbin: Just expand on what you have been saying about national parliaments and, to be consistent, what is your organisation's view of the role of national parliaments? How do you see them functioning?

Mr O'Brien: We believe that national parliaments should take back much greater control over the European policy agenda. I think to do that, in all honesty, you need the kind of powers that parliaments in Scandinavia have: you need the ability to stop the Government from signing up to things that you have kept under scrutiny at least or, more generally, preferably. A couple of years ago Digby Jones said this Committee had been asleep at the wheel, which I thought was unfair. I think the problem is that the Executive have sabotaged the brakes.

Chairman: I think, in fact, when the CBI General Secretary, or Director, or whatever he was, came here he apologised and said he did not intend to refer to this Committee. He said parliamentarians except this Committee may be asleep on the process. I do not know whether that was, in fact, diplomacy or the fact that the previous Chairman was much larger in

stature, but he did in fact say he did not intend it to refer to this Committee. So, we might as well get the statement correct. Katy Clark.

Q42 Ms Clark: What is your view on the way that Commission initiatives emerge, and do you think there is any reflection within this Annual Policy Document as to how those initiatives have emerged?

Mr O'Brien: The origin of these things is not always clear, is it? I think under the Barroso Commission, under this so-called "Europe of results", which is obviously, in principle, difficult to disagree with rather than the opposite, there has been a shift towards a kind of more populist policy agenda; so it is all driven by what will be seen to publicly add value, and that does not always result in good policy. An example of that will be the Commissioner's proposals to directly control the prices of text messages and roaming fees, and so on, which I thought was significant. It was the first time the Commission had got any good publicity in *The Daily Mail* and the first time it had got slagged off in the leader of *The FT*, and rightly so, because not since the 1970s have we talked about directly controlling prices. Commissioner Mandelson had a different idea, which was about introducing greater competition, but, of course, that was not as transparent in the public and it did not show Europe driving down prices quite as concretely, so they went down this more populist route. I think that is one of the key drivers of Commission policy at the moment. Whether it is the environment or migration, it is about a much more populous agenda now.

Q43 Mr Laxton: Does the APS match Open Europe's priorities, and, if not, which are the particular policies that your organisation or you are hostile to?

Mr O'Brien: In general, the APS is more of the same: it is further integration, it is the Commission doing more and the EU having greater powers. Is there anything in here we agree with? In principle, I think it is good that, at least rhetorically, the Commission are in favour of better regulation. In practice, I do not think that has amounted to anything significant so far. The Commission has some quite impressive sounding numbers they can reel off about how many pieces of legislation have been "repealed, modified or recodified", but then, when you look at the numbers, almost all of them have just been consolidated into bigger chunks of legislation. In the first tranche it talks about amending or repealing 222 pieces of legislation, which sounds like quite a big deal, but then you look at the detail and only eight of them are actually getting repealed, and they are all pretty irrelevant—things like directives from the 1960s or how you measure the size of a knot in pieces of wood—and the rest of them have just been consolidated, which makes life simpler for EU lawyers but does not have any real-world effect for UK businesses.

Q44 Kelvin Hopkins: Are there any specific proposals that you are particularly enthusiastic about or support and, if so, why?

9 May 2007 Mr Neil O'Brien

Mr O'Brien: The thing for which I would have the greatest enthusiasm would be something which started to introduce and then roll back some of this regulation, and, if you could turn the Better Regulation Agenda into that, then it would be useful, but I do not honestly think it is going to happen. There has not really been any slackening in the pace of the production of new regulations and directives. The whole way that they are doing this, this so-called standard cost model, this target for reducing regulation by 25%, or the administrative cost of it, it seems to me, is just a flawed approach which will not get to the heart of the problem of regulation, which is a really serious one. The British Chambers of Commerce, as you know, have estimated the total cost of new EU regulation since 1988 at £40 billion for the UK economy, which really is quite a serious thing.

Q45 Chairman: Would that be a “No”? The question was: are there any proposals you particularly support.

Mr O'Brien: That is the one which we would support the most.

Q46 Chairman: That would be a “No”. You are saying basically nothing should be done at European level?

Mr O'Brien: No, I can think of all kinds of things I would like to do at a European level, but these are not they.

Q47 Kelvin Hopkins: In your paper you draw particular attention to the Common Fishery Policy and its fundamentally flawed framework, as you describe, and the unfairness in the way it operates, and yet the paper talks about a “major recast of the control and enforcement regulatory framework”, *et cetera*. Are you as sceptical about that, being serious, as I am?

Mr O'Brien: I think I share your scepticism. It is curious. The Commissioner for Fisheries popped up in an interview in *The FT* the other day saying that the policy was “immoral”, and he said that in some areas the policy was leading to 90% of all fish that were caught being thrown back into the sea dead. It is clearly ludicrous, and yet again and again, like in so many other things in Europe, nothing seems to be able to be done about it.

Q48 Mr Borrow: I want to go back to the comment you made about these proposals being more populist. I wondered whether you felt that that was a sign of the Commission being more responsive to politics rather than being simply responsive to European administration. In other words, was that a sign that there was a bigger political input from member governments directly into the Commission’s proposals? That was not the message you seemed to be giving in earlier contributions.

Mr O'Brien: I think the Commission always has its eye on the main chance as to what it can actually get through. I think that Barroso, relative to Prodi, has been sharper and better at doing that. He has a clearer sense that he needs to show, not least be seen

to be showing that the Commission are listening, given the context of the no votes and so on. It is a fundamentally stylistic point rather than a real change in part I think in the Commission.

Q49 Mr Borrow: Would you like to see more of it, in the sense that the Commission is responding more to political inputs from Member States and from the political culture across Europe?

Mr O'Brien: Yes, I certainly would.

Q50 Angus Robertson: Because you have written about agriculture and fisheries and described the Fisheries Policy as it is, which is flawed, could you help shine some light for me on why the Commission would not seek to reform the CFP to make it work properly, if one were to have a policy at that level at all, even for their own interests? For example, Norway or Iceland ever joining the EU, which neither of those countries will ever do until the CFP is reformed or repealed. I do not understand the Commission’s position. Surely it would be in their interests to enlarge the EU and bring those countries in, and yet all they have managed to do in this document is talk about enforcement.

Mr O'Brien: I suppose that is really one for them. I would say presumably it is as much a problem in the Council as in the Commission. Presumably the Commission is not bringing forward radical proposals because it does not believe it can get them through.

Q51 Mr Heathcoat-Amory: The subsidiarity principle, which is broadly that the EU should not legislate where national action is adequate, is now written into treaty law and is therefore mandatory. Do you believe that is now becoming observed, or do you have concerns? I have just spotted a proposal for multi-lingualism, which seems to me to impinge on national education systems. Do you have any other worries in the programme of where subsidiarity is being stretched?

Mr O'Brien: Absolutely. In our submission we have a long list of things where we think that is a real problem. To pick out one example at random, there is a long section in this Policy Strategy about urban transport. I would love to hear the explanation of why that is an international or EU level issue. By definition, it is about transport within urban centres. Unless the EU would like to do something like “EU-wide road pricing”, I do not see where they come in on this at all.

Q52 Chairman: I have no doubt you will be following and reading avidly our reports every week, and you will see what our own expansive memorandum and what the Government has to say about that the very topic. I think, if you read next week’s minute of the meeting, which will follow this one, is on the agenda.

Mr O'Brien: I shall look at that.

Q53 Mr Cash: On the question of regulation, and also going back to what you were talking about with respect to national parliaments, you said that you

9 May 2007 Mr Neil O'Brien

did not think that the European Union will roll back, and, as you know, I share very much the same view. The question I am interested in is, given that and given the importance of it in the context of the £600 billion that Mr Verheugen says, the billions of pounds that the British Chambers of Commerce say it costs British business because there is over regulation and the importance of it to our economy, we are effectively locked out of change. If the EU is not going to do it, and if, the *Acquis Communautaire* and section 2 of the European Community Act 1972 has this effect of locking us out, and the Court of Justice as well, then, on any sensible democratic principle, would you not agree with my amendment to the Legislative and Regulatory Reform Bill—I think it is now well-known as the clause 17 proposal—which would, where Parliament deemed it necessary, in any field where burdens of business arose, or for that matter others, override the 1972 Act and, indeed, require the judiciary, including the House of Lords, give effect to that subsequent express legislation. Would you agree with that as a principle?

Mr O'Brien: Where I would certainly agree with you is that we need to find some far more flexible structure for the European Union as a whole, and I think the way to do that is to do it through treaty revision.

Mr Cash: Forgive me, there is no actual way of dealing with that unless you override the legislation; and there is not an option, it is simply a question of what do you actually do. What I am interested in is to know whether Open Europe would actually back my amendment, as the Conservative Party did, in two separate divisions, one in the Commons and one in the Lords?

Chairman: I do not think you are obliged to answer that direct question about whether your policy is to back a particular bill. The general thrust of the question is understood.

Q54 Mr Cash: With respect, Chairman, I am sure he can answer the question for himself. You do not need to defend him.

Mr O'Brien: No, absolutely.

Q55 Chairman: You are not obliged to answer that.

Mr O'Brien: I think, in principle, what you are trying to do is absolutely right. I would need to understand and look at the law far more. As I understand it, people object to it because you are basically talking about repealing the ECA 1972 and all the things that go with that. So, I entirely sympathise with what you are trying to do but I would need to know a lot more about the law and how exactly it would work before I would say, "Yes".

Mr Cash: Perhaps I can help you on a number of occasions.

Angus Robertson: We will send you pamphlet.

Chairman: I am sure the correspondence will come thick and fast!

Q56 Mr Clappison: You mentioned a few moments ago that you saw immigration as one of the issues where the Commission seeking to establish itself,

taking a more obvious view of things, and certainly the document which we have been given would seem to suggest that they have got considerable ambitions in this direction, wanting to move towards a common policy on migration and measures to achieve a common European asylum system, and they also are seeking a foothold on legal migration with the Commission in 2008 presenting two legislative proposals on labour migration. Do you think this ambition of the Commission's is necessary, do you think it is appropriate, given that different countries are under different pressures as far as migration is concerned, and is it something that, in any case, goes to the heart of national democracy and sovereignty?

Mr O'Brien: I absolutely agree with you that it goes to the heart of national democracy. I think there are three strands to this whole question. One is about enforcement and really enforcement in the Mediterranean, including North Africa, and it seems very curious to me that the UK is being locked out of Frontex on various joint things really just to punish it for not joining Schengen. As it happens, it does not make much difference, because all these things are happening bilaterally in the Mediterranean anyway because Frontex has turned out to be rather slower and is in Warsaw. The second thing, I suppose, is about the existing corpus of migration and asylum law, particularly the incorporation of various European human rights norms into EU law. As a lot of you will recall, the Commission popped up during the last General Election to say that the Conservative's proposals would be illegal under European law, which was really quite a significant moment, I thought. So, there is a series of questions there which, I think, will become an issue in the future. Thirdly, looking forward, the proposals for the EU to start doing things which would try and control the pull factor, I think, are unlikely to go anywhere because I do not believe that they are workable. Frattini's proposal that each Member State should come up with a quota of legal migrants that it would take, as it were, hand those to Brussels, which would negotiate with North African countries and give them a certain number of places for legal migration in return for them stopping illegal emigration from their shores, is, I think, something that is not going to work, partly because the interests of different countries in different places, because of the geography, are fundamentally different.

Q57 Mr Clappison: I am with you on that. There is literally almost unlimited demand for migration which cannot be satisfied by the granting of a quota, but do you think that sort of thinking is really present in the European Union?

Mr O'Brien: There is no doubt. Frattini has said that again and again—also his proposal for a European Green Card, or Blue Card. So, there is a very ambitious agenda there. I think it is unlikely to go anywhere in the near term, but, of course, proposals for treaty reform that would make legal migration, the majority voting issue as well as illegal migration, I think might accelerate that process. I generally

9 May 2007 Mr Neil O'Brien

think that the EU's activity in this area has marched a long way ahead of public knowledge. The Hague Programme, if any journalists in the lobby were to actually read it, would make their hair stand on end. It has all these things in it about having a common European asylum system with common processing by 2010, and things like that, and it talks about the second phase of the system. I think there is a very ambitious agenda there that this Committee should really stay right on top of.

Q58 Mr Clappison: You say you think this is one of these cases where an ambitious agenda has been set out early on and then, step by step, the Commission is seeking to fulfil that agenda, to see greater and greater confidence in order to enlarge its own competences.

Mr O'Brien: Yes, I think this Committee should be very interested in everything to do with the discussions currently going on about what happens after the Hague Programme in 2010, because there is a whole tranche more there.

Q59 Ms Clark: In your written submission in relation to the rights of the child you express concern that there will be measures involving the European Union attempting to regulate the Internet or determine age limits for buying violent computer games. Do you not accept there may be some areas in relation to the protection of children, or indeed child poverty, where it would be appropriate for action to be taken at a European level?

Mr O'Brien: It is certainly conceptually possible, but because all it tells us in here is action on the rights of the child, we have no way of knowing so we have to slightly guess. If the EU were to start doing things on child poverty, for example, I think that is something which is a domestic level question. So, the answer is, we do not know. Theoretically, they could come up with something and we would think it was great, but until maybe they do—

Q60 Mr Borrow: The APS talks about strengthening cooperation between Member States through EUROJUST, and I notice in your document you have made some critical comments about a possible expansion of the role of EUROJUST. I wonder if you could explain to the Committee if you accept that there is additional work that EUROJUST could be doing, or is the current situation as far as EUROJUST should actually go?

Mr O'Brien: Two different things, I think, really. One is, I think, a fair point. The President of EUROJUST says that he feels it is under-used at the moment given its existing powers, and I think that is probably fair—there is no reason it should not be used more given its existing powers—but then there is a second thing, which is the thing we are being critical of here, which is that they talk in the APS about an investigating and prosecuting role, and the President of EUROJUST has talked about how it wants to take part in investigations and prosecute. Anything that takes it in the direction of running prosecutions, I think, is quite questionable, because that is about trying to move towards a European

prosecutor by the back door, and I think that does pretty fundamentally conflict with the system that we have got here, which is driven by the accountability of the Attorney General to this place.

Q61 Mr Borrow: So you would generally, in principle, be in favour of steps which would increase the use made of EUROJUST under the existing regulations, if that ended up as a better outcome than using it, but you would not be in favour of actually increasing the powers of EUROJUST in any significant way?

Mr O'Brien: Exactly.

Q62 Mr Heathcoat-Amory: Your organisation is called Open Europe. Does this mean a Europe open to the world or learning from the world: in which case you might have a comment upon a specific proposal in the Strategy to set up a European Institute of Technology. This seems to me to hark back to a previous world where centralisation and control by one institute organisation was the way forward. Would you comment on any contrast between this strategy for a competitive Europe and perhaps what the rest of the world has to teach us by way of flat systems and decentralisation?

Mr O'Brien: Yes, I think I completely agree with the thrust of your question. This is a slightly populist Barroso pet project. One of the previous speakers talked about how everything the Commission proposed was part of the desire of the Member States. This is the exact counter example, because no matter how much Member States say they do not want this thing, it just will not lie down and die. Even just thinking about what it involves, instead of trying to improve the existing European universities, this is a proposal to try and set up a parallel structure, which was originally going to be a campus and now is turning into some kind of network of European universities, and it is not clear that this is a good use of tax-payers' money at all. This is about the Commission trying to show that it is adding value, but I am not convinced that the proposal does add any value.

Q63 Mr Heathcoat-Amory: Will we have a veto on this? It is our money, after all?

Mr O'Brien: I should know the answer to that, but I do not. Not necessarily, I do not think. I am afraid I do not know the answer.

Q64 Chairman: Can I thank you both for your submission, Mr O'Brien, and for your answers, which I have found very, very interesting and helpful. Can I just pass back to you some advice. We have sent the Annual Policy Strategy Document to every Select Committee Chairman, because we rely on the departmental committees actually looking at what is coming from Europe much earlier and calling in the Government ministers to ask them what the Government position is as they are forming it, and it may be what you see as an omission on the part of what is a very hardworking and overburdened committee and actually being the

9 May 2007 Mr Neil O'Brien

gatekeepers could be relieved quite a bit by select committees deciding that there were certain issues coming from Europe that they would have to interrogate the Government on much more closely than this Committee could ever do, despite our very full agenda. You might want to bear that in mind: because I noticed a number of specific policies and every time I saw them I thought: "Which departmental committee should this have been

referred to?", rather than to a general scrutiny committee, and it may improve all of our lives and make us much happier with the process of scrutiny. Thank you for your submission and for your answers. If you wish to write back on anything to the Committee or, in fact, maybe to individual members who have seen this report, for certain proposals, you are most welcome to do so.

Mr O'Brien: Thank you very much for having me.

Wednesday 4 July 2007

Members present

Michael Connarty, in the Chair

Mr David S Borrow
Mr William Cash
Mr James Clappison
Ms Katy Clark
Jim Dobbin
Nia Griffith

Mr David Heathcote-Amory
Kelvin Hopkins
Angus Robertson
Mr Anthony Steen
Richard Younger-Ross

Witnesses: **Mr Jim Murphy MP**, Minister for Europe, **Mr Anthony Smith**, Director of European Political Affairs, and **Ms Shan Morgan**, Director of EU, Foreign and Commonwealth Office, gave evidence.

Q65 Chairman: Welcome, Minister. We are very grateful to you for maintaining the programme that we had set for your predecessor. Maybe you will want to introduce your officials?

Mr Murphy: Shan Morgan is the Director of EU in the Foreign and Commonwealth Office. Anthony Smith is the Director of European Political Affairs in the Foreign and Commonwealth Office.

Q66 Chairman: We know you have studied the brief but you have two senior advisers with you. If at any time you wish them to participate in the evidence session we would be most happy for them to do so. We have been taking evidence on the Annual Policy Strategy document which of course is the document that the EU Commission sent out as an indication of what will become, when it is finalised, the annual work programme for the next year. It is the first time that the Committee have decided to try to get that far ahead of the process of directive making, regulation making and other matters coming from the EU. We have shared it with the chairs of all the other select committees and we have taken evidence from people from outwith the government and we obviously want to hear the government's opinion on the Annual Policy Strategy document. The second part of our business is to look at the conclusions of the European Council which have been the subject of a statement of the Prime Minister on the floor of the House but continue to be of great interest to this Committee and to those who are interested in the relationship between the British government and the EU. Can we start with the Annual Policy Strategy document section of our interest? How useful a document is the Annual Policy Strategy for the UK government?

Mr Murphy: Thank you for your kind words and your welcome. We think it is a very useful document because it does set out a snapshot of what has been sought to be achieved over the year. It comes out of the Commission strategic objectives, the five year plan of work. In a dynamic which the Committee will be well aware of in great detail, the dynamic of negotiations and European politics, what it helps to do from my looking at it over the past few days is to keep the Commission on track. There is a plan of work that is intended to last for that year and it can,

if it operates effectively, prevent drift and endless new initiatives dominating a new weekly agenda. On that basis I think it is a positive thing.

Q67 Chairman: The previous European Minister, Geoff Hoon, who is now the Chief Whip, described the Annual Policy Strategy document when he went to the Lords before a Lords Committee, so it is on the record, as an aspirational document. What is the value of an aspirational document and would it be better to link the policy ambitions in the policy strategy to the budgetary resources allocated to them to make it more than aspirational?

Mr Murphy: It would be a good idea as a Minister new in this job to agree with the now Chief Whip. On the specific about it being an aspirational document, my sense of how it works is that it is published; there is a period of conversation; Member States offer their observations and it is open to a degree of flexibility in its formulation. In that sense I think it is fair to describe it as aspirational, certainly at its point of initiation. There is probably a case to be made as to whether it can be more closely aligned with the budgeting round, but the budget does take account of the APS. Most of the budget is spending commitments that are inherited across years rather than initiated in a new year. That is the proper alignment in terms of the budget.

Q68 Jim Dobbin: Welcome to your new post, Minister. I hope you have a long and prosperous career. Do you think the Commission initiatives match the priorities that the UK government would really like to see pursued during 2008?

Mr Murphy: Thank you for your welcome. It gives me an opportunity to continue a shared European aspiration that both Mr Dobbin and myself have in terms of our affection for a football club from Glasgow in Europe. I am hoping to last longer in the job than our football team does in the UK Champions' League anyway. In terms of whether it matches our aspirations and priorities, in a series of important ways it does. We have concerns and we will work through our concerns with the Commission but the heightened importance of the environmental agenda is really very important for the UK government. The focus on international sustainable development is positive, as is the focus on better regulation. I used to be a better regulation

4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

minister in the Cabinet Office and it was difficult to finish a full speech on better regulation when the audience were still awake, and that was not just because of the way I delivered it. It is a really important agenda for our domestic economy and for Europe's economy. I think the assessment from the Commission is that it can contribute over 1% of growth as a consequence of better regulation. That agenda of better regulation and flexible labour markets is really in tune with what the UK would wish to see as part of the APS.

Q69 Mr Cash: The question that worries a number of us is the question whether there are any initiatives which ring alarm bells. There are questions, for example, as to why it appears that in this Annual Policy Strategy there is no reference to a mandate, which appears to be unprecedented, attempting to bind the Member States, which one would have expected to see in this sort of document. We have not seen it before and it has never been acted upon before. Is there an undisclosed document, which I am given to understand there is, which purports to bind the British government behind the scenes which has not yet been released?

Mr Murphy: This will be the first of our many conversations about these issues.

Chairman: I am trying to clarify. I am not quite sure whether ----?

Mr Cash: I am concerned about the fact that under the Annual Policy Strategy—

Chairman: Rather than the IGC? I thought the two were merging into one. We will come to that.

Mr Cash: I think the question relates to whether or not in the Annual Policy Strategy you would have expected to have seen a mandate which related to the manner in which questions relating to the IGC would be conducted.

Q70 Chairman: Is there a document that links the Annual Policy Strategy document to the IGC in a binding way?

Mr Murphy: Not that I am aware of. If there is, I will come back to Mr Cash.

Q71 Chairman: On this question of alarm bells, the principles of subsidiarity and proportionality which are mentioned in the Annual Policy Strategy document, does the government have a view as to how that should be dealt with? Is that an alarm bell area for the government?

Mr Murphy: As you know, we remain absolutely committed to the principle of subsidiarity. In the APS there are two or three issues where we are not convinced that the Commission's competence is maintained. We will continue to press. We may discuss this in more detail but there is the issue about the dreadfully titled CCCTB, the Common Consultative Corporate Tax Base. There are issues about consular assistance and about an EU wide database on fingerprinting. Those are some of the issues where in terms of the APS we think we have some work still to do.

Q72 Chairman: Do you hear the quiet ringing of alarm bells somewhere off in the future?

Mr Murphy: I think we can get to a position where we can silence those alarm bells by proper negotiation.

Q73 Kelvin Hopkins: Congratulations on your appointment as Europe Minister. I hope we will have many debates in the coming months and years. During the inquiry there has obviously been some debate about what the policy strategy is for but also how it should be developed in the future. A number of commentators have argued that the Commission should take a more strategic role, setting the direction for the EU. Article 4 of the Treaty on the European Union says, "The European Council shall provide the Union with the necessary impetus for its development and shall define the general political guidelines thereof." Is there a hint that the Commission is seeking to aggrandise even more power to itself than it already has? Should we not be ringing alarm bells and suggesting that, however tenuous, the European Council at least has some democratic status?

Mr Murphy: Thank you for your welcome. Certainly we would not wish to see competence creep on behalf of the Commission. The first part of your question was how should the APS develop. In time to come—and there is an element of this in this version—there should be focus on delivering some of the things that we have spoken about for a prolonged period rather than generating a whole set of new ideas. There has been some debate—I have read some material about this—about how does the Commission communicate better its work, successes and everything else. My sense is that it is not just a communication issue; it is about delivery. No amount of communication can offset any failings in delivery. Therefore, across the EU, we have to deliver on the issues that are important to us: better regulation, flexible labour markets, a dynamic economy, issues of the environment, international development. It is delivery that will lead communication. It is a perception that Europe is delivering that will lead to people's perceptions of Europe changing. You cannot communicate a positive message unless delivery is strong. There has been progress in recent years but we can go further.

Q74 Kelvin Hopkins: That is a fair point but our new Prime Minister in a very welcome statement yesterday suggested that we ought in Britain to have more openness in debate about our future, more power, more status for the legislature as against the executive. Would this not do well in Europe as well with a much more open discussion amongst democratically elected people, perhaps in the European Parliament, perhaps prime ministers, about the future of Europe, rather than behind closed doors in the Commission?

Mr Murphy: You will correct me if I am wrong. We have seen an extension of codecision in recent years which is welcome. When we get to the point of the agenda where we are talking about the IGC and the reform treaty, there are important changes there in

4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

terms of greater power for the first time ever for Member State parliaments. There have been some positive steps. I listened to Alan Johnson and others about what more they think can be done in this field. Without getting into the detail of every announcement, there was a very strong sense of greater say for citizens in some of the things the new Prime Minister spoke about yesterday.

Q75 Kelvin Hopkins: Will you personally be doing your best to make sure that the European Union is as democratic as possible and that we do not see the bureaucratic creep that is hinted at here?

Mr Murphy: We have to be conscious of where there may be an agenda to go further than we should. We have to be vigilant about that. I have mentioned three already in terms of the APS where we are not convinced that they should be contained within the APS.

Q76 Chairman: It does seem to me that we could either interpret the Annual Policy Strategy document as the European Commission trying to determine the political direction of the EU, or we could see it as a bottom up process whereby things come through from pressure groups, Member States, external lobbyists. We also know that there are individual Commissioners who have their own ambitions. What is the government's view of this present Annual Policy Strategy document and also exactly what should the balance be between the EU Commission giving a clear, political direction—in other words, so we know what they are intending to do—or having an Annual Policy Strategy document as aspirational, a list of all good things that may or may not go into the work programme? What is the balance to be struck? What participation in this do you think the UK government should have? What democratic involvement should there be from both the Parliament and outside bodies?

Mr Murphy: This is the view of someone who has been in the job now for three full days. My sense is that Europe does not need more aspiration. It needs more delivery. That is about agreeing a set of priorities and doing our best collectively to stick to them. The APS process coming out of five year strategic objectives, is the way of doing that. If we were to get rid of the APS process, which I know you are not advocating, or the strategic objectives process, the Commission and the process generally would be subject to prevailing winds of contemporary sentiment that would blow it off course in terms of things that are important for the UK. They are important to our constituents in all sorts of different ways.

Q77 Mr Clappison: You have my sympathy in getting to grips with the complexities of Europe in three days. I would like to ask about one important issue on the political direction of the Commission. I think you would agree there is an important change which has been envisaged in the role of the European Foreign Affairs Commissioner in that his role has

been merged with that of the European Union's Higher Representative to create a new, institutional figure. How would you see that working?

Mr Murphy: What I see it as absolutely not being the UK surrendering its responsibility and power on foreign policy. This is about a Higher Representative who will speak for the EU on areas where there is common purpose and common policy. It is not someone who will generate a foreign policy for the EU. It is not someone who would speak outside the competence of an agreed position by Member States. I very much welcome it. I think it will lead to more effective articulation of a policy where there is an agreed policy. Let us remember this policy is based on unanimity.

Q78 Mr Clappison: It is in effect a foreign minister, is it not, who is representing the EU rather than having an EU Commissioner and a Higher Representative with two different roles?

Mr Murphy: It combines the functions of the two different people who are there currently.

Q79 Mr Clappison: Given that the EU will now have a legal personality, the Foreign Minister will be able to conclude treaties, will he not, on behalf of the EU or the EU will be able to conclude treaties?

Mr Murphy: The EC has had a legal personality for many years. In preparing for today, there are all sorts of things to read and I had read that this person would take the UK seat at the Security Council and all sorts of other things. That is not the case.

Chairman: I did say to the Minister that we would have two distinct areas of interest. We are talking about the Annual Policy Strategy document and we are now wandering quite far into the conclusions of the Council. Would you mind holding the questions until we get to that point?

Q80 Mr Heathcoat-Amory: The strategy document refers to the importance of relations with Africa but it wishes to pursue economic partnership agreements with African countries. As you will know from comments from the development and aid lobby, these are highly unsatisfactory because of their rules of origin. A lot of the manufactured products in these countries can be better, more easily exported to the United States than to the European Union. Our record of trade from these poor countries is truly appalling. I am ashamed that we have such a restrictive trade policy towards some of the poorest people in the poorest countries in the world but we can do nothing about it because we do not of course control our trade policy. Could you comment on the British attitude towards trying to change this and not accept this paragraph in the EU strategy document which simply refers to striving for these economic partnership agreements with all their restrictions, which no doubt you are familiar with?

Mr Murphy: The government is committed to freer trade. We try where we can through negotiations to break down some of the barriers, to remove some of the tariffs, some of the protectionist approaches. Some of these things, as you are well aware from your time in the House, are much easier spoken

 4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

about than achieved. We are absolutely committed to doing all we can through all the international fora to give the opportunity. That sounds almost charitable. It is not intended to be charitable. It is to enable these states to stand on their own two feet through the dignity of producing products and being able to trade in a free market. I think there is now a commonality of understanding that these countries will not lift themselves out of their grinding poverty through aid. We remain committed to trying to break down some of these tariffs and to enabling these countries and their citizens to trade on an equal footing.

Q81 Mr Heathcoat-Amory: All you have done is to confirm how powerless we are. We are the fifth biggest economy in the world. Is it not an embarrassment that we can do nothing practical to help these countries except hope that the Trade Commissioner can persuade other Member States to lower their barriers or to get off this terrible drive towards economic partnership agreements which are even more restrictive, even if they succeed, than what the United States is doing? They are not clean in their record towards the developing world. Is this not really a council of despair? All you can tell us is that you are going to do your best. Surely you have active diplomacy here to make this a priority because we are dealing here with people who are desperately poor, who look on the European Union as simply a rich man's club, and you are just simply going along with it.

Mr Murphy: I do not think that is true at all. We are not going along with it. This government has made remarkable progress in supporting the developing world in a way that no government of either political party at any point in our history has managed to achieve in terms of our aid budget in particular. The aid is not in itself the whole solution. Better democracy, greater accountability, reduction of corruption, a free press, all of those issues of good governance are important and we press on those as well. We remain absolutely committed to the Doha development round. It is a different approach to international trade than at any time in our recent historic past. While there is an awful lot still to do, of course, I can refute absolutely the allegation that there is any sort of complacency or powerlessness. Long term sustained development and reduction of poverty are at the core of what we are trying to achieve through these negotiations.

Q82 Angus Robertson: Minister, welcome to your responsibilities. Moving on to the role of national parliaments, in the context of the APS process, what do you and the government see as the role of national parliaments in this kind of debate?

Mr Murphy: National parliaments' formal role is to offer a sense of where they agree with the content of the APS, to where we disagree, to offer an assessment as to why, whether it is on the principle of subsidiarity or whether it is in the practise of the undesirability of a specific proposal; or in the sense that we just disagree with the content or the direction of a specific policy. There is a really strong role for

national parliaments to influence the APS process. I have alluded to two or three where we still have a job to do.

Q83 Angus Robertson: In the use of the word "we" are you talking about the government or Parliament? What I am trying to get to the bottom of specifically is the role that you see for national parliaments. It is this Committee that holds ministers to account, like yourself today, for the position that you adopt in the Council. How do you view the Commission's emphasis on closer contact with national parliaments?

Mr Murphy: It is welcome. I do not want to go into the second part of the agenda but there are some important changes there. If you ask me whether I believe there is a role for national parliaments or the House of Commons or the House of Lords, I think it is for all of them. I say that as someone who has spent many hours on European Standing Committees A, B and C. There is a challenge for us all as parliamentarians. Maybe it is not appropriate for me to say this but I remember going to European Standing Committees A, B and C for two years. Others may have intermittently been on these committees but the challenge was not to douse the sense of excitement or reduce the temperature of the debate. It was to have a quorum so that we could have a debate. We can have a wider conversation as to why that is the case. Nevertheless, it has been the case. It may have changed since I used to go to meetings. It may be so much better but I do not receive many reports about it having improved. There is a challenge for all of us about how we mainstream more within the parliamentary democratic system of European scrutiny. This Committee plays a phenomenal part in that, I know, but in terms of A, B and C there was previously a suggestion about a European Standing Committee D. I think we should have A, B and C fixed before we get to D, E and F.

Q84 Mr Cash: There was a distinct pause in your answer to the question and I can understand why. The role of the national parliaments has now been significantly reduced and, as we will come onto in relation to the IGC, they are even imposing legal duties on the national parliaments. With regard to the supremacy of this Parliament, we regard it as absolute. Unfortunately, the European Communities Act 1972 has invaded that to a very considerable extent. You refer to Standing Committees A, B and C but if any decision was to be taken in those Standing Committees which cut across the provisions in the European Communities Act which say that we have to accept whatever comes out of majority voting in the European Union, for example, immediately we know from experience all governments recently, including particularly this government, despite the Prime Minister saying we want more power for Parliament yesterday, reverses any decision taken in Standing Committee A, B and C, irrespective of the views of that committee. I have been on that committee when that has happened and it has been reversed. It is not

4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

just to do with a quorum; it is to do with the fact that you can hardly expect people to find it very interesting if it is just no more than a talking shop. When you are asked the question by my colleague, “What do you see as the role of national parliaments?”, do you not agree that it is time that as and when, for example in relation to the burdens on business or many other matters, Westminster on behalf of the electors of this country make a decision that they want to have certain kinds of legislation, that should prevail over European legislation and the national parliaments should be restored to the proper democratic role that they should have?

Mr Murphy: We will come to some of the issues about the negotiation there has been over the reform treaty a little later in our hearing. The reason for my pause is not about some of the points you raise in recent history. These As, Bs and Cs were not a talking shop because there was very little talking. That is the truth of it. I am making an observation, not a criticism or a recommendation, about the way in which we all in Parliament are very comfortable about having a dialogue about how we can mainstream more the European issues within the House of Commons and the House of Lords. All I was offering was an experience of a couple of years of sitting on those committees, often twice a week for two or three hours at a time, and it not being as effective as it should have been. I am not apportioning blame.

Mr Cash: Do you believe the legislative supremacy—

Chairman: Mr Cash, I think you have asked the question.

Mr Cash: I have not had an answer.

Q85 Mr Borrow: We have touched on the way the government is involved in consultation on the APS. I would be grateful if you could explain to the Committee exactly how the government is involved in those discussions both formally and informally. We have also had examples where the APS has included items that we were not happy with. Are there items in the APS in which you would see the UK government as a leading player?

Mr Murphy: As someone who has looked at it for a longer period than I have, you will have your own sense on this but my sense is that that five year forward look is helpful as to where the Commission believes it is going. This annual APS process is an opportunity for Member States to influence each individual slot of that plan. Through multilateral and bilateral contact, we try and influence the APS as close to the UK government priorities as possible. I have alluded to a number of areas where we do have concerns and we will continue to focus on those concerns, particularly the issues I mentioned earlier. In terms of where we have been successful, we have been successful in raising the profile of environmental issues, sustainable development issues and Doha. We have been effective in a way that surprised many across the EU on better regulation. Barroso’s response and his genuine interest in the way in which they have tried to drive a sense of a lighter touch of EU regulation is

important. We have a huge distance to travel but I understand there is an agenda for cutting Euro admin burdens by about 25% over seven years. In the context where Europe, for some commentators, became synonymous with a one way drive towards ever more admin burdens, this sense of radically reducing the level of admin burdens in that period of time would be unthinkable a few short years ago. It is now part of the accepted settlement of what should happen. That is a really concrete example of where we have succeeded.

Q86 Chairman: Those of us who have studied it very closely have probably found the Verheugen declaration much more aspirational than delivery if you count the number of directives or regulations that have been taken off the statute book and their impact. We do notice that instead of doing about 1,600 documents a year at the moment we are doing about 1,200 so maybe there has been some diminution. On your aspirations for more mainstreaming, this Committee has asked for a number of matters to be taken up by the Liaison Committee and the Cabinet Office about mainstreaming, particularly the fact that the government did not until we suggested it send Green Papers, White Papers or other consultative documents from Europe to the select committees of the House. They sent them to everyone outside but somehow ignored the very organisations within the House that were supposed to give the opinion of Parliament. Maybe that will be an improvement in mainstreaming in the future.

Mr Murphy: Has that now been rectified?

Chairman: It has now been accepted by the Cabinet Office that they will send Green Papers and White Papers to the appropriate select committees. We have sent the Annual Policy Strategy document and asked for comments from all select committee chairs in this inquiry that is taking place at the moment.

Q87 Mr Cash: You mentioned Mr Barroso and his objectives. He talks about putting more emphasis on achieving results. You mentioned burdens on business, for example, and the Chairman referred to the number of directives. Mr Verheugen also has indicated the extent to which it costs British business. I think the figure was many, many billions of pounds a year. I think he mentioned 60 billion a year which seemed to me to be astonishing, but apparently that is what gets quoted. How can it possibly be the case that the Commission can claim that they are achieving results when the actual impact, for example, on the Lisbon Agenda *et cetera*, is crushed by this unbelievable cost and burden on business, which I would say we should reverse using our own powers here at Westminster and override the European regulations.

Mr Murphy: I am not aware of the specific figure. By the way in which you put the question, I have no sense that you have a specific figure today. We both know that because it is quoted that does not make it any more precise.

 4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

Q88 Mr Cash: It comes from Mr Verheugen.

Mr Murphy: As a fair minded observer of these things, Mr Cash, in the way you use language like “crushed”, the point is a serious one. There has been progress in moving the Commission on this. The UK used its presidency to raise the profile of going much further on better regulation. I remember the conversation at the time: should we not set up something more aspirational?

Q89 Chairman: The Barroso Commission say that they are going to put emphasis on implementation and achieving results. What evidence is there to show that the Commission is delivering more? What benchmarks or tools does the UK government use to make that judgment? That is of fundamental interest to the British people.

Mr Murphy: People did say at the time, “Why not do something that is a good deal more imaginative and inspiring, that connects with issues that people are demonstrating over in the streets?” We took a decision that better regulation was so fundamental to our own economy and to that of European competitiveness and we put that front and centre of our priorities in our presidency. We managed, along with some allies, to turn it round. There has been some progress, although not enough yet. In terms of the regulations on food hygiene, company law, transport and agriculture, we need to go a good deal further. How the UK assesses this is through the Better Regulation Executive and the Better Regulation Commission. I think I am right in saying that there is a unit there that specifically focuses on interaction with the Commission and importantly with the European Parliament in terms of the parliamentary pressure for more and greater regulation. There is some way to go but we are making tentative progress on delivery. Behind the delivery now there is a genuine, political will to deliver on this.

Q90 Jim Dobbin: On the issue of common policy on migration, page six of the Annual Policy Strategy says that in 2008 the Commission will propose further steps towards a common policy on migration and measures to achieve a common European asylum system by 2010. What is the government’s view of these proposals for example on labour migration?

Mr Murphy: Our view is that the economic analysis of free movement of people and the A8 states, the accession states minus Romania and Bulgaria, has been in an economic and a labour market sense largely positive. There are other issues. The evidence is that most of the migrants who have come in recent years since accession have filled shortages in the labour market across the different skills. Counter intuitively, we all look at our own constituencies and can see and hear a Polish waiter or waitress. I have tortured the evidence on this but the evidence is—it is counter intuitive and flies in the face of your anecdotal sense—that it has had no impact on the

levels of people and UK business being able to get into the labour market. Equally it has not had any significant impact on the number of people coming off benefit. If you look to the two areas where migration has been most concentrated, London and East Anglia—London MPs and MPs in East Anglia will know much more about what is happening on the ground than I will—there has not been a consequential slowing down of the number of people coming off benefit that would be connected to displacement caused by migration. In terms of the proposals in the APS, the UK government retains its opt in. Where it makes sense to co-operate, we will, but we have an opt in arrangement so if we wish to participate we can.

Q91 Chairman: Would you say the government still takes the position that asylum and legal migration go to the heart of national sovereignty and therefore should be defended because of the consequences of people’s views or the government’s view on our real intention towards national sovereignty?

Mr Murphy: I think it is an important issue of sovereignty. In saying that we have to be clear that that does not reduce the benefit of us co-operating across national boundaries. That is what we have been doing over recent years. We will continue to do so where it makes sense. On the basis of an opt in we will do on this issue what is in the UK national interest. In the opening up of the labour market, it was our assessment as a government that it was in the UK national interest to allow the citizens of those eight accession states from eastern Europe to play a full part in our labour market in a way that has been borne out to have been a success. Other nations seem to be following in that sense as well.

Q92 Mr Clappison: It is a question of whether we are able to act in our national interests on this. There are many debatable points about the effect of internal EU migration within the existing members of the EU. Can I draw your attention to the fact that this policy is referring to people coming to the EU from outside the EU? It is talking about a common migration and asylum policy for the EU. What implications do you think this will have, particularly on asylum, where various issues might mean that we want to act very much in our own interests?

Mr Murphy: It is in our national interest to co-operate, for example, in preventing 50 people clinging to a rickety board in the Mediterranean to escape through people traffickers from north Africa into southern Europe. Those folk do not stop at the port of disembarkation. They can make their way through the countries of Europe and of course end up in the United Kingdom. It is in our interest to co-operate across the EU. It is an economic issue. It is a migration and asylum issue, but it is a basic human decency and dignity issue as well. The corruption of people traffickers and the way in which they transport people as though they were products is an issue of common concern across all parties in the

4 July 2007 Mr Jim Murphy MP, Mr Anthony Smith and Ms Shan Morgan

House. It is in our interest where we have expertise to assist and to co-operate where we can.

Q93 Mr Clappison: Can I respectfully draw your attention to the fact that this is not just talking about people trafficking. This is legal migration as a whole to the EU, people arriving on planes quite legally to enter the EU as part of an EU migration policy or people claiming asylum within the EU. You rather make my point for me that this will have an implication for this country.

Mr Murphy: I am just looking at the specific point you raise. I am looking at the assessment in response to the specific point that you have raised. It would be unlikely that the UK would opt into the measures included within this legal migration directive because it is not consistent with our points based system but I will look more specifically into that point.

Q94 Mr Borrow: You mentioned the Common Consolidated Corporation Tax Base as one of the items that the Commission were pushing in the APS for 2008. Do you not find it odd that the Commission should push this given the strong opposition of a significant number of EU Member States including the UK? One would have expected the Commission to have had some sense of where Member States were going and not try to push forward proposals that were strongly opposed by a significant minority. One would have expected them to have better things to do with their time.

Mr Murphy: We do not believe that a harmonised tax system as proposed within the APS is good for competitiveness. We think it is wrong in principle and in practice and we will continue to make that point very, very clearly to the Commission.

Chairman: Thank you very much.

Thursday 12 July 2007

Members present

Michael Connarty, in the Chair

Mr David S Borrow
Mr William Cash
Mr James Clappison

Jim Dobbin
Kelvin Hopkins

Witnesses: **Commissioner Margot Wallström**, Vice President, **Mr Christian Leffler**, Chef de Cabinet, and **Mr Tomas Niklasson**, Secretariat General, the European Commission, gave evidence.

Q95 Chairman: Vice President Wallström, thank you very much for coming back again, having rearranged your diary. We are very pleased you could do that. As I have said, we have two ongoing inquiries. One is the Annual Policy Strategy document which you have taken responsibility for as the Minister responsible for communicating with parliaments, and the second one is into the Council conclusions and the purpose and structure of those. I have said to you privately that we would also like to ask you a couple of questions at the end about your statement yesterday to the European Parliament which is of interest to us generally since we have been following the process of the Council and the proposed IGC. Could I first ask you to introduce your colleagues before we start our questions?

Commissioner Wallström: Thank you very much, Chairman and honourable Members, for this opportunity to come back here and answer any questions you might have. I would be happy if I could just give a short introduction as well to the APS. It will only take a few minutes. With me I have Christian Leffler, who is my Head of Cabinet, and Tomas Niklasson, who is working for the Secretariat General on these issues.

Q96 Chairman: Can I start off the first session on the Annual Policy Strategy for 2008 put out by the Commission? It says in the Annual Policy Strategy document that the Commission looks forward to a “constructive dialogue” and exchange of views with the European Parliament and the Council about where the priorities should lie in 2008. Can you explain exactly what is meant by this constructive dialogue with other EU institutions and what have been the results so far?

Commissioner Wallström: Thank you very much. First of all can I say that the Barroso Commission has made it one of its priorities to be involved in a constant dialogue with national parliaments and we have had several hundreds of visits now by Commissioners to national parliaments all over the European Union. The other day we received the hundredth opinion from national parliaments on different proposals from the Commission. We have also been involved in the consultation on the Annual Policy Strategy and I am very pleased to see the strong interest by the British Parliament in our Annual Policy Strategy. I also gave evidence to the House of Lords EU Committee on 3 May and have since received their first report on the APS. This is really, you could say, a test for consulting more

thoroughly on the Annual Policy Strategy. We are, of course, trying to improve this procedure constantly and this is a way to inform everyone at an early stage what our overall political priorities are for 2008 and, of course, we welcome any input into this strategy. We have also had, should I say, a rather detailed discussion with the different committees in the European Parliament. We would like to see this becoming more political, not so much into the detail of every committee’s work but rather more on the overall policy strategy, but this, I am sure, can be improved and we welcome any input. So far we have also listened especially to what the European Parliament says and we have adopted their views. For example, we have introduced different proposals on energy policy which they underlined and which was clearly their wish, and we have also done it on a number of other policy issues. Would you allow me to give you a brief background and maybe put the Annual Policy Strategy in the right context?

Q97 Chairman: If you wish.

Commissioner Wallström: I would like to say something on the policy focus and also the impact on financial resources. As you have seen, the document outlines the policy priorities, it defines the communication priorities for the first time and it underlines our commitment to better regulation. It is the first element in the preparation for our work programme. I have also presented the APS to the COSAC meeting in Berlin. We have received already a number of written contributions or resolutions from national parliaments and in some parliaments they arranged an open plenary debate where we had a chance to explain the Annual Policy Strategy and invite discussion. This will be reflected in the next stage of this procedure which is our legislative and work programme for next year, so you can say that it is an open consultation process involving both national parliaments and the European Parliament. The strategic objectives defined by the Barroso Commission at the beginning of our mandate remain valid—prosperity, solidarity, security and a strong and open Europe in the world—and summarise the core ambitions of this Commission. A number of highly important issues are, of course, not confined to just one or the other of the strategic objectives. They need to be taken forward in synergy across policy areas. Three of these have been highlighted in the Annual Policy Strategy, the first being energy and climate change, where we need to

 12 July 2007 Commissioner Margot Wallström, Mr Christian Leffler and Mr Tomas Niklasson

deliver on the very positive results of the European Council in Hampton Court and the key elements of the energy package must be put in place—well-functioning internal markets, a vibrant renewable sector, energy efficiency and solidarity and interconnection. All those proposals will be taken forward. We will, of course, also push for strong commitments by the EU and global stakeholders to the post-Kyoto process. Secondly, there is the renewed Lisbon Strategy for Growth and Jobs. We think we are making good progress on this in partnership with the Member States and next year we will reflect on how to press ahead with further reports. We will do a single market review and a social reality check which will be presented this year and the Commission will launch a series of initiatives to make sure that the single market continues to deliver on its economic promise and allow citizens to reap the benefits. The third cross-cutting issue is migration and with its various facets this is a key challenge to the EU. Labour migration properly managed can make a positive contribution to our economies and our societies and we plan to propose further measures to achieve a common European asylum system by 2010. We will also need further action on preventing illegal migration, combating the ruthless business of human trafficking and also protecting our common borders. Finally, if you would allow me just one word on human resources, this Annual Policy Strategy also proposes some reallocation of staff and calls for a limited number of additional staff in line with the Commission's predicted needs to cover the needs due to enlargement only. All other priorities will be covered through internal reallocation within the Commission and efficiency gains. There is already, as you know, a multi-annual financial framework in place for the period 2007-2013, and what is proposed in our Annual Policy Strategy falls within this framework. Some marginal modifications that are needed are highlighted in our annual policy plan. Most of the policy proposals included in this APS will not have any direct impact on next year's budget. The reason for that is that the legislative proposals first have to be adopted by the Council and the European Parliament so the idea of establishing a direct link between the strategic policy dialogue and the annual budgetary process as proposed in the report drawn up by the House of Lords EU Committee needs to be further thought through. This may be something you would wish for but it is not yet the case that there is total symbiosis between these two processes. After this introduction I am happy to answer any questions you have.

Chairman: That is fine. That was integrated into the answer to the question I asked about the dialogue. It is worth explaining to you that the role of the European Scrutiny Committee in the Commons is not similar to that in the Lords. The Lords tend to set up in their Standing Committee's investigations into the merits of proposals. We tend not to look at the merits. We refer the merits for debate to our Standing Committees. We deal with the question of the legal, political and economic importance of matters that come from the European Commission

and we have referred our inquiry to all of the Standing Committees, the Select Committees of the departments and issue committees of the House, and some of them have in fact responded on questions of substance in your Annual Policy Strategy document. They will be included in our report which will come to you by the end of July when we hope to have that finished, but we are really interested in the process and whether it enhances the scrutiny that we try to carry out on behalf of the UK Parliament, so it is in a sense more of a focus on the process and its worth and robustness rather than on the contents of the Annual Policy Strategy document itself.

Q98 Jim Dobbin: Commissioner Wallström, welcome to the European Scrutiny Committee. That was a very interesting introduction. I just have a couple of questions that might enable you to expand on what you have already said. The first one is, why has greater emphasis been placed on the dialogue this year, particularly with the national parliaments?
Commissioner Wallström: Since this is the first time that there has been a Commissioner responsible for working with national parliaments and establishing a co-operation with national parliaments, this was done for the first time with the Barroso Commission and I do have that as a portfolio responsibility, already two years ago I presented a ten-point programme for the work of national parliaments. Since then we have intensified our work on this and also tried to improve our procedures, make them more open, more inclusive, including the contacts with national parliaments and also with the European Parliament, and build on our experiences. It is a bit like learning by doing to see what we can get out of it. We would like to see more of a political process and procedure where we also want the parliaments to be able to say that they find these overall objectives too limited or they would like to add this or that. As I said, one innovation is to have also communication priorities, so you can say that we are in a constant learning procedure but I think basically that to give more of a voice to national parliaments is to give us also a better chance to connect to citizens, to the democratic traditions that exist in every Member State and with respect to the political parties and how they work in every Member State. I think this is the only way to create a good debate about European affairs in Europe.

Q99 Jim Dobbin: In what ways does the 2008 Annual Policy Strategy differ from previous years to make the dialogue more effective?

Commissioner Wallström: I think we have first of all been able to explain better the overall objectives. I think we have also been able to identify communication priorities, which has not been done before, and we have been able to take into account, for example, what the European Parliament has said. One other example of where we have made our Commission priorities in tune with the European Parliament's comments is requests on ports policy. They wanted a legal framework on services of general interest, they wanted measures in the area of "flexicurity" which I know my colleague is now

working on to present later on, the regulatory framework for electronic communication, *et cetera*, so we have been able to follow up more clearly, I would say, and prove to them that we have taken these things into account. We have added a number of issues and initiatives but it is never complete. This is in constant evolution.

Q100 Kelvin Hopkins: Based on the views you have heard so far in the course of what is described as the “constructive dialogue”, how do you think the process might be improved in future years?

Commissioner Wallström: I would like to see maybe more of these general debates in the national parliaments; I would welcome that, those initiatives presented at an early stage the Annual Policy Strategy, also national parliaments would be able to identify what will come up because it is all about timing. It is about knowing well in advance so that national parliaments can make their voices heard or have an influence on the policy strategy, so I would like to maybe see more of that as well as getting the European Parliament into more of this overall assessment of the Annual Policy Strategy, so for them to say, “We think the balance is too much on this or that”, or, “We would like to add bigger issues”. Otherwise every committee only looks at its own agenda and says, “This particular regulation ought to be so-and-so”, or, “You have forgotten this or that”, which is, of course, good as well, but for the Annual Policy Strategy it is more about what are the priorities for the European Union and to do more on the communication part as well.

Q101 Kelvin Hopkins: There is much evidence that there is a lot of scepticism about the European Union, in which direction it is going and how far it has gone, as evidenced by the French referendum, the Dutch referendum and, indeed, the Swedish referendum on the euro, but these voices are not heard in the institutions which are having this dialogue. Would it not be better to build in some of those voices at the institutional level?

Commissioner Wallström: This is what comes from every national parliament. Also you would have those voices, or the fears or the concerns, raised in the debate. I think it would help to bring it more to the national level as well. The debate would have to take place both in the national parliaments according to national democratic traditions as well as at the European level. Not one week goes by without us discussing the results of or the lessons learned from the French referendum or from the Dutch referendum, and the media report very much also the Euro sceptic positions and I think this is good. That is how it should be in a democratic society. You can hear both sides and different views.

Q102 Chairman: I can assure you, Commissioner, that the voice of Kelvin Hopkins is heard regularly and loudly and most lucidly in the Parliament on all the issues he has raised with you today. Can I ask you a question which we have not touched on in referring to what came out of the discussion with the Lords Committee? The document has been

described as “aspirational”, which can be a sign of broad but weak indications of where we wish to go. Would it not be more useful if it were linked more closely to the budget and affordability of the contents of the strategy document so that people knew, if you like, the price tag of delivery on the things that are in the aspirations?

Commissioner Wallström: This is ideally what you would like to see as you have it in any national democratic decision-making process. You would like to link the budget and the money to your political priorities but this is not exactly how it works in the European Union because of the time lag that comes from such a rather heavy decision-making process that we have, and also the kind of budgeting procedures that we have with the long-term budgets. You will only see the money come up and be decided on afterwards based on the long term framework, so it does not follow exactly. The timing you need is to plan and decide on different proposals, including the budget in the European Union, so there is no direct correspondence. The purpose of the Annual Policy Strategy is also precisely to set this overall political framework in which the annual budget then is to be established and this is the first stage in a procedure where what follows is the legislative and work programme and that is much more detailed and that is where you can start to calculate the costs of it as well. As it is today, the institutional framework is such that there is seldom a direct link between the policy initiatives during one year and their related expenses in the same year. That is what I think we have to look at now when we are making the budget review as well and, as you know, this is going to start in the autumn. All the institutions will start to look at the budget review and what we want to get out of the budget review.

Q103 Chairman: You can understand presumably why such a question would be so important. You would never run a national government, hopefully, or our own domestic economies, on the basis that we decide what we want and just tell them to send it to us regardless of the bill at the end of the day. It may be that it is not affordable, so the problem of having aspirational statements that become policy, that become bills in reality, may be inconsistent with the other aspiration, which is to be efficient, effective and economically affordable. You can see why I hope that people are concerned because if it is too wide a sweep it will not tell people what they are signing up to. Eventually they will become policies and policies will come with budgets and bills and costs.

Commissioner Wallström: Chairman, they do not have to be too concerned because there is a budgetary and legal framework that sets the frames and the limits called for in expenses that we will have for policy initiatives and we know that we can also not go to the European Parliament and ask for more money so we will have to stick to the budget frame for a given year. We have had a number of examples where we think the rigidity of this system is maybe too big and that the controls are too burdensome. I

12 July 2007 Commissioner Margot Wallström, Mr Christian Leffler and Mr Tomas Niklasson

think that if it once was lax now we are maybe over-controlled sometimes in the use of taxpayers' money and we have improved it also year by year, and a lot of it, of course, is spent in Member States. Most of it is.

Q104 Mr Cash: But, Commissioner, the Court of Auditors has failed to sign off the accounts of the Union so often, 14 times. Forgive me, but I cannot follow what you are saying because you are suggesting that somehow or other there is proper accountability and I have very grave concern that actually it is nothing of the kind.

Commissioner Wallström: The reason for this is exactly that, that most of the money is spent in Member States and what we now try to do is also to make Member States declare how they use and spend the money from the European Union through the structural funds and the different ways of funding activities in Member States, the common agricultural policy, for instance. This is all spent by Member States.

Mr Cash: That is not what the Court of Auditors says.

Chairman: Can I suggest that it is an attractive diversion but not one we have time to follow.

Q105 Mr Clappison: Commissioner, the Annual Policy Strategy talks a lot about the delivery agenda. Can I ask you to say in specific terms what you are going to deliver to our constituents?

Commissioner Wallström: You mean to the UK?

Q106 Mr Clappison: What you would say to our constituents and people elsewhere what you are going to do, specifically.

Commissioner Wallström: I could mention, let us say, climate change and energy issues, if I choose only two things, or I could mention what has been happening on passenger safety or on roaming charges for citizens—I think they also need a very concrete examples of how we can change everyday life—or I could use an area which I know very well, which is the environment, where saving water, including in the UK, is, as a result of legislation at the EU level, implemented in all Member States, so I think I would mention especially these two issues because that is an interest of most citizens today.

Q107 Mr Borrow: One of the areas in the proposal is to do further work on the Common Consolidated Corporate Tax Base. This has been raised in the past and has been strongly opposed by a number of Member States and many in the UK are somewhat surprised that the Commission should be raising this again given the strong opposition from Member States. It seems a somewhat hopeless task and a waste of energy to seek to further advance something which clearly is not going to get anywhere at all.

Commissioner Wallström: You are absolutely right and we have seen from the discussion in the Council that the assessment of such an initiative differs from Member State to Member State. There are also

delegations who welcome this and the European value-added is, of course, that it will be possible to compare and use the same base in an internal European market. It is important to be able to say that we use the same way of calculating the tax base. It is not establishing the same taxes but it is to say that this is how we calculate the tax base. We are now looking at all these different views and we are reflecting on the need for further action in this area and to be able to describe what is the European value-added of this initiative, and we are right now making an impact assessment, so we will look at all the economic and social and other effects of such a proposal, but it is clear that Member States have very different views on it.

Q108 Mr Borrow: Could you clarify for the Committee what is the legal base for having such a proposal?

Commissioner Wallström: That I cannot answer straightaway but I would be happy to come back and tell you exactly what is the legal base that we use for this. I am not an expert in this field, as you will understand, but I will be happy to provide the answer.

Q109 Chairman: Does none of your officials have that information?

Mr Leffler: Not at hand.

Q110 Chairman: We would be happy to receive correspondence to the Committee if you wish.

Commissioner Wallström: I will do that.

Q111 Chairman: That is one of our duties, to look at the legal base of any proposal from the European Union.

Commissioner Wallström: Chairman, I just want to say that there is no proposal yet. This is really something that has been brought up for discussion with Member States and, as I said, we are looking at doing an impact assessment to look at what are the different views and what will be the impact of it.

Chairman: Thank you very much, Commissioner. Can I just say that we will send you a copy of our report and appended to that report will be the responses we have had from some of the Committees of the Parliament looking at the points of substance which are contained in the Annual Policy Strategy document and giving you a collective opinion of whatever value that has on the process of the Annual Policy Strategy document. I think it is worth saying to you that this Committee views very positively the idea of engaging at a very early date with the process of policy-making in the European Union hopefully, by alerting the Committees of this Parliament to the issues we see of legal and political importance, we can encourage the ministers in their deliberations in the EU Councils to take much more seriously the interests of parliaments in their communications with or inquiries about any policy issue. We think it can only be positive to engage as early as possible, so we are very grateful to the Commission for the initiative in general.

Written evidence

Memorandum submitted by Andrew Duff MEP, Leader of the UK Liberal Democrat MEPs

1. The Commission's Annual Policy Strategy for 2008 should be welcomed as a useful indicator. It is both clearer and more comprehensive than in previous years, and should assist all the institutions as well as national parliaments in the better planning of their own work programmes.

2. The document postulates a heavy workload across a very wide range of policy sectors. The tone is more self-confident and less querulous than in previous years, and can be taken as evidence that the Barroso Commission has reached "cruising speed". The elevation of climate change to the forefront of preoccupations, and the European Council's recent decisions on the new common energy policy of the Union, may be said to have established—finally—the theme for the Commission's current mandate.

3. Obviously, there remains deep uncertainty about the future of the constitutional treaty. It is highly likely that an Intergovernmental Conference will begin in September but the level and quality of the Commission's participation in the Conference will rather depend on the mandate. If, as one hopes, the IGC is tasked with modernising certain common policies and improving other aspects of Parts III and IV the Commission will play its classical function as initiator. If, on the other hand, the IGC is invited to impoverish the 2004 text, the Commission is bound to be somewhat marginalised.

4. The Commission is properly maintaining its role as Europe's prime think-tank. With its promised strategic reviews of:

- (i) Economic and Monetary Union,
- (ii) the Single Market,
- (iii) CAP,
- (iv) CFP, and
- (v) the Social Reality Stocktaking, 2008 promises to be a particularly fertile year. It will be important to capitalise on this strategic work as the Commission and Parliament head towards the renewal of their respective mandates in 2009.

5. Preparatory work continues on the financial review, although the precise scope and timing of this exercise is still unclear. As far as scope is concerned, there is ambiguity about whether the review is going to be just about the multi-annual financial framework for the period 2007–13 or whether there can be a radical reform of the future financial system of the Union. The House of Commons should push for the latter. As far as timing is concerned, a choice will have to be made between, on the one hand, marrying the financial review with the IGC and, on the other, keeping the two as far apart as possible. Clearly, if reforms of common policies are being mooted, it makes sense to consider them together with their impact on the size and shape of the EU budget; equally, money on the IGC table will help lubricate the constitutional negotiations.

6. As far as the Schengen area is concerned, one is clearly led to expect a lively programme of both policy and legislative initiatives. Special attention should be paid to the forthcoming Commission proposal to implement a central database of fingerprints (p 12).

7. Evidence of a sharp geo-political strategy is less evident in the realm of foreign and security policy. The claim that the Union is enjoying a renewed consensus on enlargement suggests optimism (p 14). While the Commission's role in security and defence policy is not central, one might have wished for a critical appreciation of Europe's involvement in the imbroglios of Afghanistan, Iran, Iraq and Lebanon. There is, tellingly, no mention of NATO.

8. The European Parliament will examine in detail the Commission's requests for an increase in both human and financial resources. We are likely to be sympathetic to the demand, consistent with our view that the current budgetary settlement is too meagre to permit the fulfilment to a high standard of all the initiatives demanded of the Commission by both the European Parliament and the Council on behalf of the citizen and states.

23 March 2007

Memorandum submitted by the Local Government Association

1. CONTEXT

1.1 Local authorities closely follow EU legislative and policy developments. Over half of all legislation impacting on councils has its origins in Europe. Whilst there are demonstrable benefits from having EU-wide actions in certain policy areas by virtue of the scale of the issue or its cross-border nature, EU legislation has the potential to impose significant financial and administrative burdens on local authorities. For

example, it is estimated that the cost to UK local authorities of implementing the WEEE Directive in the last two years is in the order of £140 million; extrapolating that across all EU legislation indicates the potential burden on council resources.

1.2 It is for this reason that we have welcomed EU initiatives towards better lawmaking, and to try to ensure that local government is recognised as an integral part of European governance with full consultative rights. Councils have an interest in EU law and policy in their roles as community leaders, exemplars of good practice, educators, employers, regulators, and major purchasers of goods and services.

1.3 The Local Government Association seeks to represent the interests of our member authorities on European and international matters, including through our representatives in the EU Committee of the Regions (CoR) and in collaboration with our partner national associations of local government across the EU and through the Council of European Municipalities and Regions (CEMR).

1.4 In this context, the Local Government Association welcomes this opportunity to submit evidence to the Committee. In the areas identified below as our priorities, we would be happy and indeed keen to discuss in more detail.

2. EUROPEAN UNION PRIORITIES OF THE LGA

2.1 This submission highlights the key priorities for the Local Government Association from the European Commission's Annual Policy Strategy for 2008.

2.2 It must be noted that the following priorities only represent new proposals expected in 2008, and do not reflect the priority that we will continue to give to the existing proposals on issues such as public services, climate change and waste. These will continue to dominate the EU legislative programme in 2008 as they progress through the institutions, and will likely continue to play a major role in the LGA's work programme.

2.3 As in 2007, account has been taken of LGA medium-term priorities and the wider implications for UK local government (potential costs, obligations, opportunities etc) when identifying the priority topics.

Suggested priorities for LGA are:

- Asylum and Migration:
 - Directives on labour migration, conditions of entry and residence of seasonal workers.
- Better regulation:
 - Simplifying and improving the regulatory environment (“cutting red tape”) and improving impact assessment (eg to assess administrative burdens to local authorities).
- Consumer Protection and Health and Safety:
 - Legislative initiatives to strengthen consumer protection.
- Employment:
 - Initiatives designed to modernise European labour law, in particular regarding flexicurity.
- Energy, Environment and Transport:
 - Implementation and follow-up of the Energy and Climate Change Package,
 - Initiatives to promote adaptation to environmental challenges, sustainable production and consumption,
 - EU Action Plan on Urban Transport to green the transport sector.
- Equal opportunities:
 - Initiatives to combat discrimination outside the labour market,
 - Initiative aimed at the reconciliation of family and professional life.
- Intercultural Dialogue:
 - Actions for the European Year of Intercultural Dialogue 2008.
- Lisbon:
 - Strategic report and follow-up on the first cycle of the renewed Lisbon strategy.
- Single Market:
 - Legislative proposals following up the conclusions of the Single Market Review.
- Social policy:
 - Proposals clarifying the application of Community law to social services, possibly together with EU-wide quality criteria for social services of general interest, as a follow up to the White Paper.
- Organised crime and terrorism:
 - Launching a policy to tackle violent radicalisation.

Memorandum submitted by the delegation of the UK Independence Party in the EU-Assembly

SIGNIFICANT PROPOSALS IN APS 2008 WITH CONCERNS ABOUT THEIR SUPERSIDIARITY, DISPROPORTIONATENESS AND TURBIDITY-OF-INTENT

Executive Summary

The APS consists of three sections. In the first, “**1. A Consistent Course**”, the Commission introduces its disturbing strategy for 2008 and the misleading terms (eg “Europe”, “EU-citizens”, “institutional settlement” etc) upon which this strategy, and much of the EUs *raison d'être*, are based.

In “**2. Priority Actions in 2008**”, policy-proposals are listed under seven headings: “2.1 Cross-cutting Priorities” enlists “tackling climate change”, as a way of extending the EU’s powers, in Europe and across the world, and proposes to regionalise “the Lisbon Strategy”, as a means of “perforating” the remaining sovereignty of the nation-states, while “a common policy on asylum and migration” seeks to abolish nations’ control of their frontiers.

“**2.2 Prosperity**” is about interfering in “urban transport” and gaining control of merchant-shipping; working towards direction of education, through “lifelong learning” and “active citizenship”; taking over research through a “European Research Centre”; hypocritically posing as a friend to small business; further intruding into “financial services and intellectual property rights”, abolishing legitimate and necessary “forms of State Aid” and encroaching on tax-systems with “a Common Consolidated Corporate Tax Base”.

“**2.3 Solidarity**” vaunts the implementation of the appalling REACH-regulation; proposes, without apology, to reform the disastrous CFP; to extend damaging “non-discrimination” legislation from the workplace to society at large; to prepare a fund (EGAF) to dampen rebellion following the job-losses which EU-policies will cause; to drag back parts of the failed “constitution” (“fundamental rights” and “consolidation of consular services”); to promote a skewed vision of “multilingualism” and to produce propaganda in favour of “active European citizenship”.

“**2.4 Security and Freedom**” uses “terrorism and organised crime” to spread EU-influence, over the police and the judiciary, to set up a “central database of fingerprints” and to combat “radicalisation”, which could include suppressing opposition to the EU; “civil protection”, which involves the deployment of EU-paramilitaries, is thrown in with enforcing “EU standards on food safety”, which is even more oppressive, but less emotive; “disaster prevention” is another area where EU-forces might mount a creeping invasion; a “recommendation on patient safety” and “modernising legislation on medical devices” would effectively infringe upon national responsibility for “Services of General Interest”; a decision on GMO’s seems to be being discreetly postponed; however, the attack on folk-remedies, high-dose vitamins etc (to the benefit of the pharmaceuticals lobby) continues;

“**2.5 Europe as a World Partner**” evokes Orwell’s vision of a “Eurasia”, slyly taking power through apparently benign, but essentially spurious, “environmental” and “humanitarian” initiatives; attempting to create its own energy-empire, further extend its borders, encourage the formation of parallel, supra-national entities, impose its predatory trade-policy through the WTO, deploy “EU-forces” in Africa and South Asia, and use a limited form of “democratisation” (where convenient) to undermine opponent-régimes.

“**2.6 Better Regulation . . .**” pretends to be reducing the EU’s crippling “regulatory burden”; and

“**2.7 Improving Communication . . .**” promises to increase the EU’s propaganda-budget.

“**3. General Framework For Human And Financial Resources For 2008**” consists of tentative and fragmentary predictions for changes to parts of existing budgets, purporting to show that all the above initiatives will cost very little. This section is not considered in further detail in this submission.

Evidence

(bold numbering as in APS 2008, Communication from the Commission etc, Brussels 21 February 2007, COM(2007) 65 final)

1. “A Consistent Course”

No-one could accuse the EU-Commission, or the EU-project generally, of inconsistency. The policies of the EU-institutions are curiously *semper eadem*, like those of the Vatican, or many-another non-democratic organisation. Whatever the people they refer to as their “citizens” may think about their policies—and even if these policies are rejected in national referendums—those institutions dismiss all objections, as “arising from incomprehension”, and grind inexorably on.

2. There is, indeed, inconsistency, between what the institutions say and what they do—and this point will be made with reference to several topics below—but, in what they do, never: “wider and deeper”, *ad infinitum*, about sums it up, and nothing but abolition will divert them a hair’s breadth from their autocratic, “consistent course”.

3. **“The EU is pushing forward,”** the Commission writes, **“with a wide range of ambitious policies, showing our citizens how the European dimension is essential to realising their aspirations in today’s world.”**

4. “Our citizens” are, in fact, the nationals of the adherent states, and “European” refers only to this odd group of institutions—not to the continent—but endless repetition seems to have convinced many that there is such a thing as EU-citizenship and that, somehow, the EU is Europe. Creating these impressions is, of course, part of the process of creating the corresponding realities, and the institutions use this method a lot: “consistency in inconsistency”, one might say.

5. **“2008 will clearly be an important year for the debate on the future of Europe,”** the Commission goes on, **“a constructive institutional settlement would send a positive signal before the next European elections.”**

6. This “constructive institutional settlement” is nothing other than the essential elements of the rejected Constitutional Treaty, re-packaged—or, perhaps, “camouflaged” would be a better word—so as to avoid being put to referendums. The most essential of all these elements is “legal personality”-for-the-EU; the element, which would allow the institutions to become a sovereign government. Unfortunately for the Commission, the more the vast, unreadable Treaty is boiled down, the more conspicuous its most essential element becomes. Other references to the Constitutional Treaty and “legal personality” will follow in their turn.

2. “Part I: Priority Actions in 2008”

2.1 “Cross-cutting Priorities”

7. It is not clear how the items in this section (“climate-change”, energy-supply, “the Lisbon Strategy” and “migration”) are any more “cross-cutting” than topics in several other sections (eg “prosperity”, “solidarity” or “better regulation”) unless “cross-cutting” is being used to mean “most important”.

8. The Commission goes on to say, **“Tackling climate change has moved to the forefront and will be an integral part of the Commission’s priorities in 2008 to secure sustainable prosperity for Europe.”**

9. Socio-economic engineering will be possible on an undreamed-of scale (this Commissarial exponent of anthropogenic climate-change hopes) if only most people can be persuaded that the world will be destroyed by any failure, on their part, to abide by the dictates—as interpreted by the Commission—of “the precautionary principle”.

10. **“2008 will be a crucial year for taking forward the Energy and Climate Change Package adopted by the Commission in early 2007: major actions should include work towards the creation of a European gas network and electricity grid, further steps to promote energy efficiency and sustainable energy, a revision of the EU oil stocks system to enhance energy solidarity between the Member States initiatives to follow up the European Strategic Energy Technology Plan, and enforcement of the competition and internal market rules in the energy sector.”**

11. If this sentence is as inelegantly structured as the thinking behind it, then the maintenance-cuts, illicit power-transfers and blackouts, on both seaboard of North America, will soon be reproduced in the Commission’s “Member States”. Whoever heard of knocking the flotation-chambers of a ship’s hull into one, floodable cavity? What about “all your eggs in one basket”? Other things being equal, an array of discrete systems is as many times more secure (than one large one) as the number of components it consists of; but, ever consistent, the Commission can proceed only by lumping everything together, because only thus can everything be completely, *and centrally*, directed. Even the likes of the current HMG are likely to balk at some of it.

12. **“The EU should use its leadership to step up the international pressure for global change: key to this is the Global Climate Policy Alliance, which aims to engage developing countries on climate change, with a view to broadening participation in the post-2012 international climate change regime.”**

13. It is not at all clear what this “Global Climate Policy Alliance” is. The nearest match achieved by Google is as follows.

Gender Equality and Climate Change Policy Climate Alliance—Klima-Bündnis—Alianza del Clima e.V. Climate Alliance of European Cities with Indigenous Rainforest Peoples
www.climatealliance.org

funded by the European Commission, DG EMPL, co-funded by the Ministry for Family, Youth, Women and Elderly, Germany

Well . . . could be!

14. More importantly—and in keeping with its real intent—the first part of this sentence should be reversed. It ought to read: “The EU should use the international pressure for global change to step up its leadership.”

15. **“In addition, 2008 will see the first results of a further effort to implement the Lisbon Strategy at regional level through new European cohesion policy programmes, and new rural development policy programmes, for all EU Member States to be adopted in 2007.”**

16. This, presumably, means that the “Lisbon Strategy” has not been implemented at regional level yet, but that, in a “further effort”, it soon will be, and tax-payers’ money will flow anew to “regional” bodies, thus by-passing, and eroding, the authority of national governments. How often the EU-institutions express their desire to become transparent! Perhaps they’re getting there, in a way, after all! (see also 43 and 44)

17. **“In 2008 the Commission will propose further steps towards a common policy on migration and measures to achieve a Common European Asylum System by 2010,”** and, **“In 2008, the External Borders Agency will be further developed and Member States will be supported in tackling illegal migration through a European surveillance system.”**

18. If “Member States” had not stopped controlling their own borders, the problem of excessive and unsuitable immigration would never have arisen (and it could now be solved, by the resumption of border-controls) despite the impoverishment caused, in the Third World, by EU trade-policies, predatory IMF-requirements and the occasional horrific attack by “the international community”. How convenient that the pitiable influx now appears to be uncontrollable, unless the EU rides to the rescue with its spine-chilling “Common European Asylum System”, “External Borders Agency” and “European surveillance system”! Full marks from Machievelli! (Please see also 72(iii))

2.2 “Prosperity”

19. **“To reduce the negative impact of the transport sector on the environment, the Commission will propose an Action Plan on Urban Transport, a White Paper to promote the competitiveness and efficiency of maritime transport due to better inclusion of short sea shipping in the logistic chain, and a legislative proposal to limit nitrogen oxide emissions from aviation.”**

20. While posing, Canute-like, as administrator of the world’s weather systems, the Commission pays lip-service to the (common market) “competitiveness and efficiency”, which provided its only popular mandate in Britain (1975) Both postures, it is now clear, are essentially excuses for grabbing power from democratic institutions. The EU does not work, either economically or environmentally, and should not be allowed to continue gobbling up national responsibilities, as though it did.

21 **“Lifelong learning continues to be a crucial element of the Lisbon strategy: it is central to competitiveness and employability but also promotes personal development, active citizenship and social inclusion”**

22. So, naturally, the EU should be allowed to make further inroads into education—one of the last areas over which it lacks complete authority—in order, no doubt, to show **“our citizens how the European dimension is essential to realising their aspirations in today’s world”!** (see section 1. and

<http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l—077/l—07720070316en13541361>

ie COMMISSION

TITLE 15 — EDUCATION AND CULTURE

CHAPTER 15 06 — FOSTERING EUROPEAN CITIZENSHIP

Chapter 15 06 — Total Commitments (2007) € 36 685 672

<http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l—077/l—07720070316en13501353.pdf>

ie COMMISSION

TITLE 15 — EDUCATION AND CULTURE

CHAPTER 15 05 — ENCOURAGING AND PROMOTING COOPERATION IN THE FIELD OF YOUTH AND SPORTS

Chapter 15 05 — Total Commitments (2006) € 111 965 000)

23. **“From 2008 the European Research Centre (ERC) will be supported by an executive agency to allow it to play its full role as a pan-European funding agency for frontier research.”**

24. International institutions, like many co-operative efforts, can be highly beneficial, but cease to be so, if they become coercive powers in their own right. No-one would object to a genuinely European research-centre, but the ERC is an EU-institution, designed to suck the life-blood out of national research-programmes, not to nurture and enhance them.

25. **“Based on the results of the Single Market Review, which will be presented in 2007, the Commission will bring forward legislative proposals to allow citizens and companies, in particular small and medium-sized enterprises (SMEs), to benefit fully from the internal market.”**

26. While all the policies of the EU favour big business—which has the resources to cope with hyper-regulation, with large, uniform registration-fees, international distances and appeals to the courts, and often functions as an acknowledged “economic partner” of the Commission, in whose secret committees it shapes policies advantageous to itself—the EU prates, just as consistently—but ineffectually—about helping small business. This is because the EU is by no means secure in its “consistent course”, and cannot afford to alienate a sector as large as small business, while its inhabitants still have meaningful votes. Statements inconsistent with actions are therefore required.

27. **“Initiatives may for example include proposals in the areas of financial services or intellectual property rights.”**

28. These are initiatives beloved of multi-national, big business—not of “citizens” or small business. The Commission’s plans for enforcing a “Community Patent” (which already allows software-patents) for example, and criminal penalties for infringement (intentional or otherwise) of designs and copyright, are a power-grab, not only on its own behalf, but also on behalf of its large “economic partners”. The failure-rate of smaller businesses will continue to rise, under this onslaught, and the innovative software-base, which consists almost entirely of small businesses, could be eliminated completely.

29. Also in this paragraph: **“Enforcement activities . . . targeting the most harmful anti-competitive practices and forms of State Aid . . .”** (Perish the thought that an elected government should be able to preserve essential, national industries, which, once destroyed, it might not be able to re-build!) and **“a Common Consolidated Corporate Tax Base (CCCTB)”** which, like initiatives in education, worms its way closer to control of one of the last vestiges of independent, national (democratic) existence—in this case, the tax-system.

2.3 “Solidarity”

30. **“The implementation of the Registration, Evaluation and Authorisation of Chemicals (REACH) legislation is a key test to show Europe’s capacity to enhance the competitiveness of European industry while improving the health and environment for European citizens.”**

31. This huge, appalling regulation—which will simply become law as a statutory instrument—is a charter for large firms to sweep thousands of smaller rivals from the market place. In many cases, such smaller firms—dealing, for example in small, but essential, quantities of large numbers of rare metals or highly active substances—are irreplaceable, because the expense of REACH-compliance, substance-by-substance, is greater than the foreseeable profit, and because even large firms will then find it difficult to set up dedicated departments, and pay research- and registration-fees, in the attempt to fill the gap, which the loss of so much expertise will leave, and for what?

32. Above all, the REACH is a vast exercise in bureaucracy, which, besides laming wide swaths of industry (with expensive, negative—ie “my substance is not dangerous”—reporting-duties) will do nothing to improve the positive controls provided by national governments today. Rather, by demanding the registration of all substances, it will distract attention from genuinely risky ones, and jeopardise the economy to such an extent that genuine environmental and conservational projects will have to be abandoned as too costly. This is the long shadow of the Commission’s Canute-pose. What kind of society does it think it’s creating?

33. **“As regards the Common Fisheries Policy (CFP) the Commission will come forward with a major recast of the control framework with a view to strengthening enforcement across the Union.”**

34. Quite apart from the fact that British fisherman now have access to only 18% of catch in Britain’s territorial waters, that the fleet is a ghost of what it was, livelihoods and communities have disappeared and an important, independent food-source has thus been damaged and sequestered . . . the concern here is that the CFP has been an act of environmental vandalism almost beyond belief. For decades, the CFP—rather than prescribing days-at-sea, per area, per vessel—has demanded that excess catch be thrown back into the sea as “discards”. The Commission has insisted on this and—despite declining fish-stocks—consistently refused to recognise that the Faroes, Norway and Canada, which all operate days-at-sea policies, also continue to possess stable fish-populations. However, this year, without apology, the Commission has announced that its “discards” policy is to be replaced by a days-at-sea policy. That seems to be a part of what the above statement means. Perhaps the Commission is now satisfied that the British fleet has declined to the point of no return.

35. **“The Commission will, in particular, propose new initiatives designed to prevent and combat discrimination outside the labour market—based on gender, religion, belief, disability, age or sexual orientation and to enhance a better reconciliation between family and professional life.”**

36. This means that the un-elected Commission will lay down the same criminal codes of courtesy and morality, in every walk of life, for 27 different countries. These codes, furthermore—and as we have seen from anticipatory versions already introduced—do not improve courtesy or morality, but provoke spurious victim-hood, and justifiable resentment, and provide the means for favoured political pressure-groups to impose their views on everyone else. Insult and injury have never been better dealt with better than in English Common Law, which considers each case on its merits. The insertion of a list of special grounds, upon which especially people may not be insulted or injured, is superfluous and, in itself, unfair discrimination.

37. **“Proposals to promote social solidarity will include possible interventions by the European Globalisation Adjustment Fund (EGAF) set up to complement the efforts of Member States to support the efforts of workers made redundant due to market opening to find and retain new jobs” and “The Commission will present new proposals on how to ensure the adaptability and flexibility of the European labour market while ensuring a high degree of social protection (“flexicurity”)”**

38. Globalisation undoubtedly has much to answer for, without being made a scapegoat for the results of the Commission’s frightful politico-socio-economic experiment, but, as these results bite, many will suffer, and the flames of rebellion (ie lack of “social solidarity”) will have to be sprayed with cash. This will provide new opportunities for the coercion and corruption, for which the EU’s funding-procedures are justly notorious.

In addition, as several trade-union leaders have observed, the Commission's "flexicurity" requires a lot of "flexi" without providing much "curity". This, above all, is why the Commission considers EGAF to be a prudent provision.

39. "To promote and protect fundamental rights and European citizenship, the Commission will propose further measures for the consular protection of EU citizens travelling outside the Union."

40. The references to "fundamental rights" and "European citizenship", and the implication of amalgamated consulates (which are explicitly mentioned in other Commission-documents, eg the "Legislative and Work Programme 2007") are all escapees from the wreck of the Constitutional Treaty. However, as mentioned in 1., the only important provision in that Treaty is "legal personality" for the EU. Once the EU has that, it can, for example, accredit ambassadors, open consulates, sit on the UN Security Council, declare war and impose every other provision of the Treaty, including the Charter of Fundamental (positive) Rights, thus abolishing any right, which it has not codified, and, in addition, awarding itself the power to suspend even these codified rights, "if necessary".

41. "The Commission will launch new initiatives together with the Member States to promote multilingualism, which reflects the cultural and linguistic diversity of the EU and contributes to its prosperity."

42. This is another possible avenue for intrusion into child-education, undercover of promoting a common-market, and employing a euphemism to indicate—in defiance of the exigencies of world-trade—that only the languages of EU-adherent territories are to be promoted.

43. "Finally, the Commission will implement the 2008 European Year of Intercultural Dialogue in support of cultural and linguistic diversity and promoting active European citizenship."

44. The efforts of EU-, and EU-supported (especially German) bodies, in this area, have so far been directed, most significantly, at promoting minority languages, within sovereign nations, in order to undermine the integrity and identity, of those nations, and to impair the universal communication, within those nations, which a common language confers, and which is essential to democracy. Regarding "European citizenship", please see 4, 21, 22, 39 and 40.

45. "Solidarity: key actions envisaged for 2008

"Justice and Home Affairs

"Legislative proposal in the field of successions and wills"

46. This is one of the items, not mentioned in the text, which appears in the summary-table, and which clearly proposes to encroach on legal matters, which are not part of the responsibilities governments have signed away.

2.4 "Security and Freedom"

47. "The Hague Programme (2005–09) remains the framework for strengthening cooperation to promote freedom, security and justice in the EU: further actions will be taken forward to fight organised crime and terrorism, including measures to facilitate the exchange of information between law enforcement authorities and preventive measures targeting radicalisation."

48. The summary-table for "Solidarity: key actions etc.", referred to in 45, clearly mentions "Justice and Home Affairs", and yet, here, the new name for the second pillar ("Freedom, Security and Justice") is used instead.

The Hague Programme <http://www.euractiv.com/en/justice/hague-programme-jha-programme-2005-10/article-130657> exploits convenient terrorist-outrages to erode the pillar-structure of the Treaties, without proper process, agreement or ratification. This is the kind of "freedom, security and justice", which the EU can be relied upon to provide.

49. Particularly worrying are the references to information-exchange and "targeting radicalisation", which mean, respectively, the central accumulation of data on all the inhabitants of EU-territories (see also 53, below) and state-sponsored, political manipulation.

50. Considering that the EU's institutions always label persons, or parties, opposed to the EU, as "extremists", "far-right", "far-left", "xenophobic", "hard-liners" or "ultra-nationalist", it is easy to see how measures targeting Muslim radicalisation (the invited assumption) will be used to deprive legitimate opponents of their democratic rights, or to condone such deprivation where it already exists. In Belgium, for example, the country's largest party, the anti-EU *Vlaams Blok*, was proscribed, and its successor, *Vlaams Belang*, is routinely denied statutory media-access and officially derided, ironically enough, as "undemocratic".

51. "The Commission will also propose further measures to promote the safety and health of EU citizens, including measures to build on current cooperation in civil protection and efforts to ensure and enforce EU standards on food safety, animal health and welfare, and plant health."

52. Amid a plethora of health's and safety's—as though they were not oppressive enough in themselves—lurks this reference to building on "current cooperation in civil protection", which refers to forming EU-forces for emergency-use in any EU-territory. These forces already exist. They are based at Vincenza, in

Italy. They have a rather spine-chilling web-site: <http://www.eurogendfor.org/> Even more hair-raising is the report of the Seville Conference on the "European Security and Defence Policy" <http://www.stimson.org/fopo/pdf/novosseloffpresentationesdp.pdf>

53. **"Security and Freedom: key actions envisaged for 2008**

Fighting Organised Crime and Terrorism.

"Implementing a centralised database of fingerprints.

54. Please see 49, above. Note also that the summary-table for "Security and Freedom" features many interesting and important points not referred to in the corresponding text. How like the Commission to avoid expanding upon subjects (eg policing, health-services and GMO's) most likely to prove controversial!

55. **"Security and Freedom: key actions envisaged for 2008**

Fighting Organised Crime and Terrorism.

"Strengthening the cooperation between Member States through EUROJUST in investigating and prosecuting serious cross-border and organised crime."

56. Unless the wording here is merely sloppy (and this cannot be ruled out) it would appear that co-operation in EUROJUST can be extended to "organised crime", whether this "organised crime" is "cross-border" or not. This, in turn, requires a definition of "organised crime", which might be difficult to formulate, unless any co-ordination between individuals, for the purpose of committing a criminal offence, is to be regarded as "organised".

57. **Security and Freedom: key actions envisaged for 2008**

Civil Protection

"Strengthening the EU Civil Protection Mechanism and developing an integrated strategy on disaster prevention for disasters occurring within the EU or in countries participating in the mechanism"

58. This seems to picture the EU as a kind of King Canute, once again ("prevention for disasters occurring") but it has more to do with gradual invasion, as portrayed in the wonderful "Yes, Minister!", where Sir Humphrey Appleby asks Rt Hon Jim Hacker at what point he would use "the bomb", during an invasion of West Berlin by the Democratic Republic:

"The East-Germans send a fleet of fire-engines to help the West Berlin fire-brigade tackle a major conflagration . . . do you use the bomb?" asks Sir Humphrey.

"Of course not!" retorts Jim.

"Then they send police to help quell looting and rioting . . . do you use the bomb?" Appleby persists . . . and so on . . . eventually West Berlin is occupied by East German troops, and Mr Hacker's deterrent was never of any use to him. This shows the effectiveness of the EU's softly-softly method, which also (by the way) would eventually allow it to acquire "the bomb", from Britain and France.

The answer to Sir Humphrey's "bomb-question"—and essential to the effectiveness of any military deterrent—is not to let the "fire-brigade" cross the border in the first place; and, likewise, to reject Commission-proposals of this sort.

59. Also (in 57) it is not entirely clear whether "the countries participating in the mechanism" excludes EU-territories. That is, will some EU-territories be able to opt out, or will opting-out only be possible for other "countries"?

60. **Security and Freedom: key actions envisaged for 2008**

Health and Safety.

"Recommendation on patient safety and the quality of health services."

61. The power of "recommendations", from the Commission, should not be underestimated. They can throw whole business-sectors into frenzies of anticipatory compliance—as occurred recently with copyright-societies, after a recommendation on a "European Copyright System"—but, in this case, the Commission is looming over a vast service-industry, which it dearly desires to prise from the control of democratic government and make into an EU-regulated, multi-national big-business.

62. **"Security and Freedom: key actions envisaged for 2008**

Health and Safety.

"Developing a legal framework for the risk assessment by the European Food Safety Authority (EFSA) of genetically modified food and feed."

63. The Commission is under pressure from American governments, the WTO and Bio-tech companies, on the one hand, and opponents of GMO's (+ most of the population) on the other, to make up its mind on this subject. The companies may well already be "economic partners" of the Commission—there is no way of knowing—while many of the opponents are also among the most vociferous advocates of the

Commission's stance on anthropogenic climate-change. What a position for a would-be super-power to be in! The answer is to wait until it is a super-power, whereupon the anti-GMO-ists (+ the rest of the population) will have to lump it. The item in 62 appears to be a delaying tactic.

64. Security and Freedom: key actions envisaged for 2008

Health and Safety.

“Review of the legal framework on pharmaceuticals.”

65. This is another thorny problem. On the one hand the big pharmaceutical companies, which are almost certainly “economic partners”; on the other, many hundreds of thousands, perhaps millions, of people, who treasure their herbal and mineral remedies, high-dose vitamins etc. How do you implement the outcome of your stakeholder-consultation (ie the policy recommended by the “economic partners”)? In this case, however, the Commission has already plumped—and plumped inevitably for big business—alienating a significant minority of pro-EU parties’ supporters, and driving their folk-remedies underground.

66. Security and Freedom: key actions envisaged for 2008

Health and Safety.

“Modernising of the legislation for medical devices, to improve patient safety while ensuring a clear regulatory environment.”

67. “Services of General Interest” (SGI’s) are another battleground, where the Commission’s plan for the “withering away of the [nation-] state”, in an environment dominated by global corporations, is opposed by the very labour-unions and welfare-organisations, who make up the balance of the Commission’s “social and economic partnership”. In the area of health, in particular, the clash between the “social”, and the “economic”, components of this partnership, actually led to the exception of SGI’s—“Services of General Economic Interest” (SGEI’s) and “Services of General Non-Economic Interest” (SGNEI’s)—from the “Services Directive”, and “competence” to define, and regulate, them being left to the member-governments! The Commission must therefore content itself, spider-like, with looping thread after inconspicuous thread, of which this is one of many, around health-service provision.

2.5 “Europe as a World Partner” (Towards Orwell’s *Eurasia* and global Big-Brotherdom—this title actually means, “Europe as a World Power”!)

68. “Europe must continue its efforts to act with a strong and united voice in the world, based on our common values and objectives, in full coherence with our internal policies, and making full use of all the assets and policies at its disposal to defend the Union’s interests.”

69. “To act with a . . . voice”, is a strangely mixed metaphor, implying a desire, not just to speak (as one does, with a voice) but to avoid mentioning force (with which—when “strong and united”—one acts) Also, Europe’s appurtenances start of as “its” (efforts) then switch to “our” (common values, objectives, internal policies) then back to “its” (disposal) and end up as “the Union’s” (interests) Even allowing for the poor standard of literacy prevalent in EU-institutions, such oddities neatly betray the schizophrenic, or disingenuous, nature of the EU-construct.

70. “Core policies like addressing climate change and biodiversity, demographic change and migration, terrorism and organised crime, or energy needs can only be tackled in the global context.”

71. Here, the writer—under the influence of the list of problems, which these “core policies” are supposed to be “addressing”—forgets that the subject of the sentence is “core policies” (which are implemented, or pursued, not “tackled”) Would any democratic, European government set out its “core policies” in so off-hand a manner? Perhaps, on the other hand, these are not “core policies” at all, or are not what they appear to be.

72. Indeed, such irritating inconsistencies betoken a deeper malaise, which is a fundamental mendacity and hypocrisy:

- (i) all human activity accounts for considerably less than 10% of global CO₂ production, so that—even if the alleged slight increase in atmospheric CO₂ were instrumental in raising temperature (which seems doubtful)—there would still be no climatological justification for the socio-economic revolution, or arrogation of powers, which—on the grounds of excessive, anthropogenic CO₂ alone—supra-national institutions, like the EU, are attempting.
- (ii) “Core policies like addressing . . . biodiversity” is another slovenly, non-sensical expression. These “policies” are supposed to be “addressing [*loss of*] biodiversity”, although they should actually be said to be attempting to preserve *existing* biodiversity, because it is by no means demonstrable that biodiversity, in general, is being lost. The biosphere evolves continuously, constantly producing new species. No-one knows, for example, how many species there now are in genera like *Rubus* (brambles) or *Taraxacum* (dandelions) because every generation of such genera produces hundreds more. This “core policy” of the Commission is thus really about preserving certain existing species for aesthetic, academic or propaganda reasons. It is not an imperative for human survival, let alone a good excuse for abolishing or emasculating democracy, which is what it is mainly intended to achieve. Besides, if we really want to preserve this, or that, endangered ecosystem, we should remember that local and national ownership of conservation projects is essential to their success, which can only be impaired by the intrusion of some remote autocracy.

- (iii) **“Core policies like addressing . . . demographic change”**—if this does refer specifically to the ageing of populations—would be worth looking at, but what are they? The only policies the Commission admits to, in this area, are euthanasia, “work-life balance”, parental leave and a huge, inassimilable influx of immigrants (please see also 18) With the exception of immigration, which requires a complete re-casting of present, predatory trade-policy, these are not “core policies”, which “can only be tackled in the global context”, and they do not need the EU for—nor can they usefully involve a structure like the EU in—their implementation.
- (iv) **“Core policies like addressing . . . terrorism”** should also be a misnomer, but is it? When we consider the carnage wrought by “our” troops in Serbia, Iraq and Afghanistan, it must be admitted that, in EU-territories, terrorism is a minor matter. For “addressing” it to become a “core policy”, that policy has to be about something connected with terrorism, rather than about terrorism itself. This “something” can only be the fear of terrorism and the remarkable opportunity it provides for the assumption of sweeping powers. It is true that re-casting “our” predatory trade-, and invasion-, policies—which are the principle motivation for terrorism—does have to “be tackled in the global context”, but the EU is an intentional obstruction to this. The nations of Europe should take back their seats at the WTO.
- (v) Is it true that **“core policies like addressing . . . organised crime . . . can only be tackled in the global context”**? On the contrary, the removal of frontiers, the imposition of a single currency, the progressive loss of patriotic policing and the trivialisation of capital offences—all EU-policies—have made EU-territories a play-ground for criminal syndicates. An insane dedication to opening large gambling-resorts can only make matters worse. If “addressing . . . organised crime” is a “core policy” of the EU, then this policy cannot be directed at suppressing or eradicating organised crime, and to allow it to promulgate this policy, “in the global context”, would be extremely imprudent.
- (vi) **“Core policies like addressing . . . energy needs can only be tackled in the global context.”** Like policy on “migration” and “terrorism”—but unlike policy on the other four subjects mentioned in 70—policy on energy-supply does frequently require an international dimension. It does not, however, require, or benefit from, a supranational dimension, and, as with immigration and terrorism, it is quite clear that the EU is a barrier, not a gateway, to a useful international dimension. While purporting to represent its member-governments, at the WTO, or in negotiations with Russia or Algeria, the EU essentially represents itself or, at best, a few of its most influential supporters. It uses its position primarily to augment its own role. This is human nature. Indeed, it is almost the only thing, about the EU, which does appear to be human. The remedy for human nature in government is democracy. The EU cannot support meaningful democracy. Only states with a common language can do this. The EU must be abolished.

73. **“Accession negotiations will be pursued on the basis of the renewed consensus on enlargement and the enhanced rules governing the accession process agreed at the December 2006 European Council.”**

74. This would appear to contradict the argument, put by many apologists for the Constitutional Treaty, that this Treaty is necessary for further “enlargement”. On the other hand, what was agreed at Brussels may have been more extensive than was announced. If so, then 73 contains two elements—“enlargement” and the “constitution”—on which the eurocracy and “citizens” are implacably at odds.

75. **(“. . . future status settlement for Kosovo.”) “A positive outcome is also key to a significant improvement in Serbia’s progress on its path to the EU.”**

76. “A positive outcome” means cutting Serbia down to the size of an EU-province, by completing the process of destroying the Yugoslav EU-rival. The Serbs have been, and still are being, hunted out of Kosovo, by surrogates of the “international community”, and Kosovo’s considerable mineral-wealth has been seized by multi-national companies. Nowhere, until this process began, was “humanitarian intervention” by the “international community”, quite so blatantly nothing of the sort.

77. **“Work to develop closer political and economic ties with partners around the world—including Russia, Ukraine, Japan, Korea, China, India, ASEAN and Latin America—should be intensified” and “The transatlantic partnership should be strengthened and constantly adapted to the evolution of common challenges, reflecting . . . our responsibility for contributing to an international environment conducive to peace, security, prosperity and sustainable development.”**

78. “Eurasia”, “Eastasia” and “Oceania” were the three mega-states of Orwell’s “1984”. Their germs may be glimpsed in the EU, ASEAN and FTAA of today, as may the “continuous war”, which, according to Orwell, enabled the mega-states’ elites to keep their “citizens” in sustainable subjection. The mega-states are not yet formed, however, and the “continuous war”—ostensibly against a foe begotten by the CIA and (Pakistani) ISIS in Baluchistan (and since then inflated enormously in reaction to the aggression of the “international community”)—is still limited to mopping up pockets of resistance to globalism. It is not too late to restore democracy, but time is getting short. “Minipeace”, it will be recalled, was Oceania’s Ministry of War.

79. **“The Union is working hard to ensure the successful completion and implementation of the Doha Development Round of world trade talks.”**

80. If those who decry the EU's world-trade policy—as “neo-colonialism”, “capitalist imperialism” and an assault upon democratic sovereignty in the Third World—were to look at the whole picture, they would see that the “citizens” of the “neo-colonial” power, though currently prosperous, are destined to be victims of this policy just as much as the Third World's poor are now. As the mega-state comes into being, its prosperous inhabitants become slaves through disenfranchisement, just as the world's poor are being disenfranchised, or being prevented from attaining enfranchisement. At that point, when democracy has been consigned to history, living standards can, and will, be equalised by decree. It might be argued that the poor would benefit. At least they would become slaves with a supportable standard of living; but would they not be better off as nationals of democratic, economically-developed states? As for the EU's “citizens”, they lose whichever way you look at it.

81. **“The EU will reinforce its institutional relations with Africa at all levels and especially with the African Union (AU)” and “It should also strive for synergies with the Economic Partnership Agreements (EPA's) which will start being implemented in 2008 and represent a cornerstone for the regional integration of ACP countries and their development in general.”**

82. Pseudo-representative umbrella-bodies are of the essence, which the EU-method is distilling, and which, because it consists of asymmetric consultation, always arrives at “consensus” very close to the major partner's position. An Africa/Caribbean/Pacific continuum of client statelets welded into umbrella-bodies and policed by EU-troops, would enable the continuing exploitation of its natural resources, while preventing the growth of any industries, independence or democracy, which might threaten the “international community's” global system. The predatory nature of EPA's has been widely criticised by humanitarians, who would never dream of abolishing the EU.

83. **“Stabilisation and reconstruction efforts in the Middle East and South Asia will have to be continued and the Union's prevention, crisis reaction and peace building capacities should be further reinforced.”**

84. Having wrung its hands, and shed crocodile-tears, when, with enormous loss of life, Afghanistan and Iraq were invaded, the EU later joined in. At the time of the invasions, predictions, to the effect that this would happen, were dismissed by EU-apologists, intent, as they were, on exploiting anti-American feeling for their own ends. Who remembers that now?

85. **“Electoral observation and the efficient implementation of other human rights and democratisation programmes will be important contributions to the promotion of our fundamental values outside the European Union.”**

What are the “fundamental values” of an unaccountable, consultative autocracy? It would be superfluous to list them all, although “hypocrisy” must be emphasised. Suffice it to say that their “promotion” is served by the kind of “democratisation” it supports in economically weak countries, where the population might be swayed towards EU-adhesion, or client-ship, and the rulers are against the idea.

2.6 “Better Regulation—at the Heart of the Commission's Daily Work”

86. **“2007 will see improvements to the system of impact assessment, the launch of an Action Programme to eliminate unnecessary administrative burdens arising from legislation at EU and Member State levels, and implementation of the updated simplification programme: realisation of these actions will be the core goal for 2008.”**

87. *The “core goal”!* During its term of office, this Commission has succeeded in repealing a few dozen, obsolete directives and regulations, while adding thousands of measures to its infamous *acquis*. A few “environmental” measures were delayed, after the rebuff of the French and Dutch referendums, but confidence soon returned to the operators of the regulatory sausage-machine, which now squirts out its enthusiasts' favourite schemes faster than ever. Indeed, far from being a fellowship of brotherly love, the EU is, above all, a regulation-machine. If it stopped churning out “administrative burdens”, it would cease to exist.

88. **“... the Commission will continue to push hard to deliver significant and demonstrable reductions in the administrative burdens faced by EU business.”**

89. Last year, Commissioner Verheugen—in an extraordinary outburst of candour—put the cost of the EU-regulatory burden at around €500 billion per annum. There is no way in which this huge figure can be prevented from growing—let alone be reduced—as long as the regulatory sausage-machine exists, any more than the EU is ever likely to become a favourable environment for smaller businesses or, indeed, a democracy.

2.7 “Improving Communication and Communication Priorities for 2008”

90. **“Communicating with citizens about European issues remains a crucial task for the European Commission in 2008” and “... the Commission will continue to pursue and strengthen its efforts to better communicating [sic] Europe in all policy areas.”**

91. The propaganda war is on. Unfortunately for the Commission, because it is institutionally alien to the peoples it hopes to make its “citizens”—and because it lives a lie and is essentially unwholesome—it is incapable of winning hearts and minds. It can only creep stealthily outward like a mould, creating an anaesthetic odour of inevitability and unchallengeableness. The member-governments' only hope of

preserving the EU-structure, which gives them their treasured supranational status, heightened career-ladder and reduced responsibilities, is to keep quiet about it, in the time-honoured, Jean-Monnet manner, which has allowed the monster to grow to its present size. “To strengthen its efforts to better communicating Europe . . .” somehow says it all.

“3. Part II: GENERAL FRAMEWORK FOR HUMAN AND FINANCIAL RESOURCES FOR 2008”

For brief comment, please see Executive Summary.

16 April 2007

Memorandum submitted by Timothy Kirkhope, MEP, Leader of the Conservatives in the European Parliament

BACKGROUND

1. I have been Leader of the Conservatives in the European Parliament since 2004. Before that, I served as Vice-President of the ED Group in the European Parliament until February 2005 and was a Conservative representative on the European Convention on the Future of Europe. I was Chief Whip of the Conservatives in the European Parliament from 1999–2001 and Spokesman on Justice and Home Affairs from 1999 until January this year. I am currently Vice Chairman of the European Parliament Committee on Constitutional Affairs and Conservative Spokesman in Europe for Transport. I have been an MEP for Yorkshire and the Humber since 1999, and was Member of Parliament for Leeds North East from 1987 to until 1997, serving as a Minister in the Home Office, Vice Chamberlain to the Queen and as a Government Whip.

2. Conservatives MEPs are the largest UK Delegation in the European Parliament with 27 Members, representing all eleven regions of Great Britain. Conservative MEPs are extremely influential in the European Parliament and occupy a number of key posts: Vice-President of the European Parliament, Vice-President of the EPP-ED Group, Chairman of the European Parliament Agriculture Committee and Vice-Chairmen of the Committees on Justice and Home Affairs, Economic and Monetary Affairs and Constitutional Affairs. There are also Conservative chairmen of the Inter-parliamentary Delegations for relations with the US and with Australia and New Zealand. Seven Conservative MEPs are committee coordinators for our political group.

Conservative MEPs are committed to pursuing a positive reform agenda in Europe. We have consistently and vigorously opposed the EU Constitution and remain adamantly opposed to current attempts to resuscitate it. We strongly support efforts to deregulate and liberalise the Internal Market, to reform the EU Budget and the CAP and effective EU action to protect the environment and tackle global poverty through trade and aid.

SUMMARY

3. Although much of this paper highlights a number of shortcomings of the APS and the areas in which it could be improved, I should stress that I am supportive of Jose Manuel Barroso as President of the Commission. His priorities as President, with the important exception of stress placed on reviving the Constitution, are in general terms, the right ones with a strong emphasis on less and better regulation, more effective delivery of results and a high priority given to economic reform and strong but practical environmental policies. It is certainly the case that this Commission is a vast improvement on its predecessor.

4. Overall, the 2008 APS document stresses several of the right priorities but also contains a significant number of significant shortcomings. On the positive side, it restates the Commission’s commitment to a reform agenda, which is welcome, both for 2008 and as an indication of the longer term Commission agenda. On the other hand, it is disappointing that the Commission’s commitment to the better regulation agenda and to progressing the Doha round of trade talks are not given greater emphasis, and there are serious concerns over the Globalisation Adjustment Fund and the Institute of Technology. Both are expensive projects of highly questionable and unproven value, and both raise significant questions with regards to subsidiarity and proportionality.

5. The APS document is a useful tool for identifying the key issues on the EU agenda over the coming year and the opportunity for the European Parliament to hold a broad debate along these lines is welcome and constructive. Similarly, the decision of the European Scrutiny Committee to examine the document in detail and to take evidence from MEPs is welcome; I will look forward with interest to the committee’s report and I hope this inquiry will help improve joint scrutiny of EU activity by MPs and MEPs; this is an area where there is certainly more that can be done.

 KEY PRIORITIES OF THE 2008 APS

6. The Commission is justified in asserting that there is a large measure of consensus on the need for joint action on energy, research and demographic change (p 3). It is perhaps surprising that climate change is not included in this list, but perhaps this is simply a reflection of the fact that the APS Communication was drafted before the March summit. Tackling climate change does feature prominently in the priority actions (p 5), as indeed it should. After the headlines and promises EU leaders made on this issue at the March Summit, there will rightly be close scrutiny of the action the EU takes to follow up and deliver on these pledges. Yet while the Commission's proposed activities on climate change seem to be the right responses to the challenges identified, it cannot be similarly claimed that the Globalisation Adjustment Fund and the European Institute of Technology are appropriate policy responses to the challenges identified. The European Institute of Technology is a potentially worthy initiative as the potential benefits of improved co-ordination of research and technological development in the EU are well-known. However, it is far from clear that the EIT model is the best way to achieve this, as it is expensive and has generated little interest (and considerable scepticism) from the private sector. The case in terms of costs vs. benefits and proportionality has simply not been convincingly made. Of even greater concern is the Globalisation Adjustment Fund which is a fundamentally wrong-headed initiative and clearly raises serious questions over subsidiarity.

7. The priority given to working towards an institutional settlement (p 3 and 4), is perhaps the biggest failing of the Annual Policy Strategy for 2008. This is not to contend that the Nice Treaty provides the perfect and final institutional settlement for the EU—there will of course need to be some institutional reform at some point in future. Nonetheless, the current attempts to revive the EU Constitution, or achieve something along similar lines, are quite mistaken. The EU should be concentrating on delivery of substance not wasting energy squabbling over divisive issues of process.

8. It is regrettable that the Better Regulation Agenda and a commitment to progress the Doha Round of world trade talks do not feature more prominently as key priorities for 2008. Better Regulation is mentioned in passing in the introduction (p 4) and although the main document (p 15) contends it is "at the heart of the Commission's daily work" this is unfortunately not yet true, or the issue would not be buried away as "priority action 2.6" on page 15! Moreover, I would personally prefer to see the Commission committed specifically to "deregulation", rather than the more euphemistic term "better regulation". Proper and thorough regulatory impact assessments are one of the central components of this agenda, and there are a number of items included within the APS itself where impact assessment has so far been inadequate, as I have indicated in other parts of this paper. Nonetheless, this comment should not be seen as an attempt to denigrate the Commission's work in this area. Commissioner Verheugen deserves great praise for forcing this issue onto the agenda and for working hard to keep it there, which is clearly an uphill struggle. It is vitally important that the European Parliament and national parliaments keep up the pressure on the Commission to maintain focus on this area if the potentially great benefits of cutting back excess EU red tape are to be achieved by 2009.

9. As far as the Doha Round is concerned, this of course related to an area of exclusive Commission competence and one where the benefits of more liberalised global trade both to Europeans and to people in the developing world could be enormous. As a response to globalisation, progress on Doha should be the Commission's top strategic priority, rather than the short-term, futile and populist Globalisation Adjustment Fund.

OTHER IMPORTANT INITIATIVES IN THE APS

10. Among other initiatives worth highlighting, the Commission's own reform agenda is welcome (p 4), not least as it is to be hoped that a similarly reformist ethos is reflected in the reviews of the budget and single market (also p 4). Both must be ambitious and far-reaching. Reform must also continue in the context of the Lisbon Agenda (p 5). The economic picture in Europe has improved since the Lisbon process was renewed in 2005, but the urgency of on-going economic reform must be maintained. The 2007 review report will be important in this context. There is a risk of course that progress on economic reform may be undermined by Commission action in other areas, not least in the area of social policy where labour market flexibility must be promoted, not restricted. In this context, I have already highlighted the shortcomings of the Globalisation Adjustment Fund and any initiative by the EU to extend its competence into social security, for example by taking it upon itself to promote "flexicurity" (p 9) similarly raises important subsidiarity issues. The debate over what "modernising European labour law" (p 10) must also be watched very carefully as what is understood by "modernisation" varies considerably, as do views on how such modernisation should be brought about. Clearly, the EU must move away from its outdated "social model" those of us who have been arguing for many years that this model is holding back Europe's economic progress do now seem to be in the ascendancy. But this welcome progress will be squandered if there are attempts to impose, top-down, some alternative "social model" from EU level: this is an area where individual Member States should be free to determine their own approach.

11. On the CAP, the "health check" (p 9) is welcome as the 2003 reforms were important and must indeed be monitored. Regrettably, the fiasco over Single Farm Payments in the UK may not show a very healthy situation in the UK! Hopefully, the health check will not gloss over these problems and lessons may be

learnt. Of course, more fundamental reform of the CAP is necessary and so the health check must be conducted in synergy with the preparation of the budget review. Similarly, the major recast' of the CFP framework is overdue, but again may not go far enough.

12. The Commission's stated determination to focus on the implementation of REACH (p 8) is welcome and significant. REACH was a major legislative initiative, so implementation will be complicated so must be carried out carefully and sensitively, but also thoroughly. More generally, willingness on the part of the Commission to concentrate on implementation and enforcement is welcome—this has not always been done well. Renewed focus on follow-up and delivery is very important and could be extremely beneficial in terms of improving legislative quality and outcomes. The other major legislative item of 2006—the Services Directive—is another dossier that must be carefully monitored through its implementation phase so as to be sure that the expected benefits are indeed delivered. I hope that the European Scrutiny Committee will take a close interest in the implementation of these (and other) key pieces of legislation. This is another area where I think MPs and MEPs can work productively together. Among the Conservative MEP Delegation, John Bowis on REACH and Malcolm Harbour on Services were key figures in the drafting of the legislation and would be able to contribute greatly to joint scrutiny efforts on transposition and implementation.

13. On the Justice and Home Affairs front, the push for a common European asylum system (p 11), FRONTEX (p 12) and work on managing migratory flows (p 6) must be monitored very carefully. These are of course very sensitive areas that are best dealt with by co-operation rather than harmonisation. Harmonisation is almost always a flawed approach in this sphere and one which Conservatives will continue to oppose. The pressure to move to Qualified Majority Voting in this area and the willingness of governments, including the British Government, to take a rather cavalier approach to the use of legal bases and institutional propriety when making decisions is a source of considerable concern. The European Scrutiny Committee has been commendably robust on this point and I fear will continue to need to be so in the coming months.

14. On the EU in the World section, the commitment to pursue accession negotiations with the Western Balkans (p 13) is of course extremely important although it does seem curious that the need for on-going progress on Turkey is not referred to—although again this may simply be due to the fact that the document was drafted at a time of impasse which now, happily, seems to have passed. The European Neighbourhood Policy is also extremely important and the Commission's work in this area deserves support. Conservative MEP Charles Tannock was Parliament's *Rapporteur* on this dossier. It is disappointing that there is not greater reference made to the need to foster and enhance EU-US relations, particularly through working on proposals for a genuine transatlantic marketplace. However, there will need to be careful scrutiny of the commitment to improve the visibility of the Commission's external action and to develop the political and diplomatic culture of its external services (p.14). This risks seeking to implement the Constitution (ie creating and EU diplomatic service) and so acting without a proper legal basis.

15. Finally, there are a number of initiatives that are of questionable value that should certainly be subject to careful scrutiny on the basis of subsidiarity, for example: the proposed action plans on Urban Transport and Drugs (p 6); the development of a policy to tackle radicalisation (p 12); and social reality stocktaking (p 17). These initiatives must also be subject to thorough cost/benefit analyses. It is similarly doubtful that the cost implications of the Commission's commitment to improving communication (p 16) can be justified. The way for the EU to become more popular is by delivering on issues where it can add value, not by spin and what amounts to "focus group politics". There is bound to be suspicion that the prominence given in the APS to the Globalisation Adjustment Fund is a response to a recent survey showing that EU citizens are concerned about the so-called "social dimension" of the EU.

17 April 2007

Memorandum submitted by Research Councils UK (RCUK)

INTRODUCTION

1. Research Councils UK (RCUK) is a strategic partnership that champions the research supported by the seven UK Research Councils. Through RCUK the Research Councils are creating a common framework for research, training and knowledge transfer. Further details are available at www.rcuk.ac.uk.

2. This memorandum is submitted by RCUK on behalf of the Arts and Humanities Research Council (AHRC), Engineering and Physical Sciences Research Council (EPSRC), Economic and Social Research Council (ESRC), Medical Research Council (MRC), and Natural Environment Research Council (NERC), and represents our independent views. It does not include, or necessarily reflect the views of, the Office of Science and Innovation (OSI). RCUK welcomes the opportunity to respond to the House of Commons European Scrutiny Committee Inquiry into the European Commission Annual Policy Strategy for 2008.

3. This memorandum provides evidence from RCUK in response to the main topics and questions identified in the consultation document, in addition to supplementary views from:

- Arts and Humanities Research Council (AHRC)—Annex 1.
- Engineering and Physical Research Council (EPSRC)—Annex 2.
- Economic and Social Research Council (ESRC)—Annex 3.
- Natural Environment Research Council (NERC)—Annex 4.

GENERAL

4. The Policy Strategy is a high-level text which deals only with outline policy initiatives. It is therefore useful as broad indicator of key priorities, but needs to be read in conjunction with specific planning and implementation proposals and communications in the individual policy areas. Detailed comment from the Research Councils is likely to be more appropriate at that level.

5. RCUK endorses initiatives across Member States to ensure the flow of trained people and knowledge, particularly to facilitate the transfer of knowledge and results between research centres and SMEs and businesses.

6. RCUK welcomes the focus on sustainable energy and climate change. The Research Councils have a significant research activity in these areas. The themes of energy, climate change and environment are particularly strongly represented throughout the programmes of EPSRC, ESRC and NERC. In addition, they are also of strategic importance to AHRC and MRC. Fuller details of EPSRC and NERC research activities are included in annexes 2 and 4, and AHRC has related research activities in its Landscape and Environment Programme (annex 1).

7. Much of the research currently funded by AHRC and ESRC relates directly to the Commission's four strategic objectives of prosperity, social solidarity, security, and external relationships; as well as the cross cutting priorities of climate change, the Lisbon strategy and migration. Further information on related research activities is attached at annexes 1 and 3.

RESEARCH AND TECHNOLOGICAL DEVELOPMENT

8. We are pleased to see the strong emphasis on research and technological development.

9. A significant initiative in this area is the proposed European Institute of Technology (EIT). Whilst the EIT concept has evolved in a positive way from the initial plans, there remain a number of outstanding questions in relation to its purpose, scale, governance and budget. It is crucial that the EIT is differentiated from other initiatives in the areas of research, education and innovation; at this point, it is not entirely clear that this is the case. Indeed, there is a strong possibility of duplicating efforts that are addressed elsewhere, including in the "several European research initiatives" (section 2.2.), although it should be noted that it is not clear precisely which initiatives are being referred to here. It is essential that the EIT concept is defined further and that there is ongoing and meaningful consultation with the full range of stakeholders prior to it becoming operational. The EIT could also be seen to raise some concerns with regards to the principle of subsidiarity. Specifically in the area of education, competence lies with Member States rather than with the EU; thus it is crucial that the education-related aspects of the EIT are developed with this in mind, and that universities maintain flexibility and autonomy.

10. Whilst they could potentially be complementary, a clear distinction should be maintained between the EIT and the 7th Framework Programme (FP7), both in terms of activities and budget.

11. The European Research Council (ERC) is clearly a significant initiative within FP7, and the establishment and operation of an executive agency to implement the programme is an important development. Whilst plans to establish this agency are well advanced and in keeping with the ERC's independence from the European Commission, there is rather less clarity over the establishment of an agency for other parts of FP7 at this point; it will be important to follow the developments in this area.

12. It is interesting to note that there is no mention of the Joint Technology Initiatives (JTIs) within FP7 under 2008 priorities, although these may be subsumed under "several European research initiatives".

13. We note that there are proposals in relation to health and safety that might indirectly have an impact on research, as is the case with the Physical Agents Directive (electromagnetic radiation) 2004/40/EC which the House of Commons Select Committee on Science and Technology has previously commented on,¹ and developments with respect to these proposals might need to be followed to ensure appropriate stakeholder consultation.

¹ <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsctech/1654/1654.pdf>

FINANCIAL ASPECTS

14. A further significant initiative for this period is the preparatory work for the budget review (mentioned on page 4). The initiative will need to be monitored with respect to research funding.

15. Within Section 3 of the Communication (Human and Financial Resources) there is mention that “due attention will also be paid to audit and audit-related tasks in the research sector” (section 3.1.2, “Contribution to a Central Pool”). It would be useful to have, in due course, further details as to precisely what is foreseen in relation to this.

17 April 2007

Annex 1

COMMENTS FROM THE ARTS AND HUMANITIES RESEARCH COUNCIL (AHRC)

AHRC is unique in the world as a national funding agency supporting both arts and humanities research. We use public funding of approx £100 million per annum (2007–08) to fund some 700 research awards, 3,000 postgraduate scholarships, and numerous knowledge transfer awards in UK universities. One of our objectives is to play a leading role in the development of arts and humanities research worldwide.

The AHRC particularly welcome the recognition of need for a focus on multilinguism to reflect the linguistic and cultural diversity within the EU. We look forward to the promotion of intercultural understanding through the European Year of Intercultural Dialogue.

AHRC also recognizes the growth of migration as an influence behind our Diasporas Migration and Identities programme (£5 million five years 2005–10), a report of which was recently commissioned by the UK Home Office to inform their policies. This programme researches past and present impact of diasporas and migration on subjectivity and identity, culture and the imagination, place and space, emotion, politics and sociality. www.diasporas.ac.uk

Our Religion and Society research programme (with ESRC) (£8.3 million 2006–12) will support collaborative research across the arts, humanities and social sciences in order to understand the interrelationships between religion and society. www.ahrc.ac.uk/apply/research/sfi/ahrcsi/religion—society.asp

AHRC is engaged in research on energy, climate change and the environment, including the Landscapes and Environment Programme (£5.5 million 2005–10.) which aims to bring a distinctive, innovative and engaging arts and humanities research perspective on landscape and environment. www.landscape.ac.uk

As “Europe as a World Partner” is a major element of the EU strategy. The Commission may wish to note the AHRC’s support for language based area studies in precisely those regions that EU is keen on developing better links with. Particularly the Centres on Eastern Europe, Russia and Former Soviet States. These centres are as much a matter of Integration Policy as well as fitting in neatly with overall Foreign Policy:

- Centre for East European Language-based area studies—www.ssees.ac.uk/ceelbasaward.htm;
- Centre for Russian, Central and East European Studies—www.gla.ac.uk/crcees/index.htm;
- The White Rose East Asia Centre—www.wreac.org/index.html;
- The British Inter-University China Centre—www.bicc.ox.ac.uk;
- The Centre for the Advanced Study of the Arab World—<http://www.casaw.ed.ac.uk/>

Annex 2

COMMENTS FROM THE ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL (EPSRC)

The EPSRC welcomes the consultation for the Annual Policy Strategy of the Commission of the European Communities.

The EPSRC is the foremost Research Council for the delivery of academic research in the physical sciences and engineering in the UK, investing over 600 million (€883 million) per year in the support of research and training in UK universities.

The EPSRC international strategy aims to provide the means to encourage international collaboration. EPSRC’s role is to provide its huge community of individual researchers with the means to pursue international collaboration in a flexible manner with their chosen partners wherever they are in the world.

Investment in International activity is delivered through the programme areas of the EPSRC. The EPSRC operates a series of programme delivery mechanisms to enable UK researchers to seek and take advantage of international opportunities. These are designed to promote the exchange of knowledge and people from overseas to the UK and from the UK to centres overseas.

SUMMARY RESEARCH GRANT INVESTMENT BY PROGRAMME

*EPSRC research grant commitment by programme
(£ million) Financial Year 2005–06*

Chemistry	48.2
Information and Communications Technologies	88.8
Innovative Manufacturing	15.6
Materials	47.4
Physics	38.2
Core e-Science	16.7
Engineering	77.7
Infrastructure and Environment	8.2
Life Sciences Interface	26.9
Mathematical Sciences	16.4
Energy	26.3
Basic Technology	30.7
Other activities	49.5
	490.6

The themes of energy, climate change and environment are strongly represented throughout the programmes of EPSRC and the continued strong support for these initiatives is endorsed.

Details of EPSRC's activities in these areas are held at the following weblink:<http://www.epsrc.ac.uk/ResearchFunding/Programmes/Energy/default.htm>

Improving the uptake and exploitation of research from UK universities is very important to EPSRC, and our vision is for the UK to be as renowned for knowledge transfer and innovation as it is for research discovery. We're working with universities, businesses, charities and the public sector to understand their needs and to tackle the challenges of integrating knowledge transfer with the process of research.

The EPSRC would endorse initiatives across Member States to ensure the flow of trained people and knowledge, particularly to facilitate the transfer of knowledge and results between research centres and SMEs and businesses.

Annex 3

COMMENTS FROM THE ECONOMIC AND SOCIAL RESEARCH COUNCIL (ESRC)

ESRC welcomes the consultation on the European Commission's Annual Policy Strategy.

ESRC supports research across the whole range of social sciences. The work supported contributes to the social, political, economic and intellectual life of the UK and beyond, and has the capacity to directly inform public policy. ESRC has an international strategy aimed at ensuring there is a growing body of world class social science research and that the UK plays a leading role in this. Among our objectives in promoting this is the removal of barriers to social science collaboration across borders, and giving assistance to UK social scientists in tackling global issues.

Much of the research currently funded by ESRC relates directly to the Commission's four strategic objectives of prosperity, social solidarity, security, and external relationships; as well as the cross cutting priorities of climate change, the Lisbon strategy and migration. Major research investments continuing into 2008 include the following which, although listed by principal strategic objective, may cut across more than one of these.

Prosperity

- Advanced Institute of Management Research Programme www.aimresearch.org
- Centre for Economic Learning and Social Evolution (ELSE) www.else.econ.ucl.ac.uk
- Centre for Economic Performance (CEP) www.cep.lse.ac.uk
- Centre for Micro Analysis of Public Policy (CMAPP) www.ifs.org.uk/esrc
- Centre on Skills, Knowledge and Organisational Performance (SKOPE) www.economics.ox.ac.uk/skope
- Teaching and Learning Research Programme www.tlrp.org
- UK Energy Research Centre (UKERC) www.ukerc.ac.uk (with NERC and EPSRC).

Social solidarity

- Centre on Micro-Social Change (MISOC) www.iser.essex.ac.uk/misoc

- Centre on Migration, Policy and Society (COMPAS) www.compas.ox.ac.uk
- Identities and Social Action research programme www.identities.org.uk
- Non-Governmental Public Action research programme www.lse.ac.uk/collections/NGPA
- Religion and Society research programme (with AHRC) www.ahrc.ac.uk/apply/research/sfi/ahrcsi/religion—society.asp
- Rural Economy and Land Use research programme (RELU) www.relu.ac.uk

Security

- New Security Challenges research programme www.newsecurity.bham.ac.uk

External relationships

- Centre for Social, Technological and Environmental Pathways to Sustainability (STEPS) www.ids.ac.uk/ids/KNOTS/projects/STEPS.html
- ESRC/DFID research scheme on poverty alleviation in less developed countries www.esrc.societytoday.ac.uk/DFIDscheme
- World Economy and Finance research programme www.worldeconomyandfinance.org

Annex 4

COMMENTS FROM THE NATURAL ENVIRONMENT RESEARCH COUNCIL (NERC)

NERC welcomes the recognition that climate change and energy are cross-cutting issues, and that they are seen as priorities.

NERC supports a range of research in both areas, contributing significantly to the international research agenda and international initiatives such as the World Climate Research Programme (WCRP) and the International Geosphere-Biosphere Programme (IGBP).

NERC Directed Programmes particularly relevant to climate change are:

- Quantifying and Understanding the Earth SysTem (QUEST, www.nerc.ac.uk/research/programmes/quest/)
- Rapid Climate Change (RAPID, www.nerc.ac.uk/research/programmes/rapid/)UK Surface-Ocean/Lower Atmosphere (UKSOLAS, www.nerc.ac.uk/research/programmes/solas/)

We also support, jointly with the EPSRC and ESRC, the Tyndall Centre for Climate Change Research, and many of NERC's other Research and Collaborative Centres conduct research in this area. For links see www.nerc.ac.uk

On energy we jointly fund the cross-Council Towards a Sustainable Energy Economy programme (www.nerc.ac.uk/research/programmes/sustaineconomy/, www.epsrc.ac.uk/ResearchFunding/Programmes/Energy/Funding/TSEC/default.htm), which includes support for the UK Energy Research Centre (UKERC, www.ukerc.ac.uk/).

NERC's new strategy includes the Living With Environmental Change initiative, an interdisciplinary research programme in partnership with most of the other Research Councils and a number of Government Departments and Agencies, led by NERC. The 10-year programme will provide the scientific knowledge and tools to speed mitigation of, and adaptation to, environmental change, and information to help decision makers manage and protect ecosystem services.

Memorandum submitted by the Office of the City Remembrancer, City of London Corporation

INTRODUCTION

1. The City of London Corporation welcomes the opportunity to comment on the European Commission's Annual Policy Strategy for 2008. The City has for some time been seeking to highlight the importance of thorough and detailed scrutiny of EU legislation by Parliament, in addition to trying to ensure that directives which emanate from the EU are both principles-based and proportionate.

2. The City Corporation's particular focus has been on financial services and in this context the City fully supports the Government's desire to bring about a fully functioning single market in wholesale financial services, recognising that such harmonisation would be beneficial to economic growth in the UK and EU. More generally the City has a growing interest in environmental issues, particularly climate change and

emissions trading, and also in the wider better regulation agenda. The following paragraphs reflect the City Corporation's views on those elements of the Annual Policy Strategy which are of particular interest to its activities.

ENERGY AND CLIMATE CHANGE PACKAGE

3. The City Corporation is actively monitoring EU developments in the area of climate change reduction policies. Last autumn, the City of London published research on the EU Emissions Trading Scheme,² particularly on how the markets had developed in London. This research has been used in the London and Brussels context to influence the policy debate as the EU ETS is reviewed and extended beyond 2012. In addition, the City of London has recently launched a research project—"London Accord"—with the aim of identifying the best climate change reduction technologies for investment, with expected consequent implications for policy-makers. It is also intended to inform initiatives to promote adaptation to environmental challenges alongside sustainable production and consumption. The project has, so far, generated considerable interest and City firms have pledged research services conservatively valued in excess of £4 million.

FOLLOWING UP THE CONCLUSIONS OF THE SINGLE MARKET REVIEW

Implementation/post-implementation reviews

4. The key concern for the City of London in the immediate future is the continued transposition and implementation of the Financial Services Action Plan (FSAP). Towards the end of 2007 a major element of the FSAP—the Markets in Financial Instruments Directive (MiFID)—will be implemented across Member States. The City wishes to see consistent implementation of EU legislation across the Union to ensure that the benefits of wholesale financial markets liberalisation are fully realised for the industry and ultimately the consumer.

5. Other pieces of existing FSAP legislation will also be reviewed in the next two years, as indeed will be MiFID, with a potential extension of some of its provisions to the bond and commodities markets. There is always the fear that evaluation might open up avenues for the EU institutions to revise legislation and demand further, more detailed rules which could lead, in effect, to the creation of a FSAP II. The experience with the review of the Investment Services Directive which led to the Markets in Financial Instruments Directive (MiFID) is a prime example in this regard. Whilst there appears to be no explicit commitment to "FSAP II" on the agenda, at least for the time being, further legislative intervention at EU level in the area of financial services regulation remains a possibility at a time when the City would argue greater emphasis should be placed on ensuring consistent implementation of existing legislation across Member States.

6. The City of London Corporation commissioned research from the European Policy Forum, published last year,³ which looks at the ex-post evaluation and audit of European legislation and puts forward a number of suggestions for initiatives such as evidentiary hearings to evaluate the success of individual pieces of legislation. Some in the City have however expressed caution over promoting the idea of ex-post evaluation of Regulatory Impact Assessments (RIAs) and should be wary about going too far along this route if the spirit of 'Better Regulation' is not properly embedded first.

Expected EU legislative developments: wholesale to retail

7. With regard to expected legislative proposals from the European Commission, the proposal on reviewing the solvency requirements of insurance companies, the so-called "Solvency II" package is of considerable interest. Work is also expected to begin in the middle of the year on the review of parts of the EU legislation covering retail investment funds, the so-called UCITS legislation. The debate on the need or otherwise for regulation of alternative investments—namely hedge funds and private equity—is also expected to figure in this area, although legislative measures are not currently expected.

8. As the leading international financial centre in the EU, the City of London must also take careful account of the impact of EU legislative requirements on the international business environment. One particular area where this is relevant is the Directive on Statutory Audit, which concerns co-operation with non-EU jurisdictions on auditor oversight. Whilst the City broadly supports the objectives of the Directive, it is imperative that the subject is handled cautiously as implementation has the potential to invalidate current audit arrangements of listed companies. The Directive must be implemented in such a way as to promote high standards of corporate governance whilst ensuring the EU market retains its attractiveness to third country issuers.

² "Emissions Trading and the City of London", Consilience Energy Advisory Group Ltd, published by the City of London Corporation, September 2006.

³ "Evaluating Better Regulation: Building the System", European Policy Forum, published by the City of London Corporation, September 2006.

9. Increasingly, the financial services agenda in Brussels is turning to retail and consumer aspects, with a prevalent feeling that retail financial services markets across the EU remain fragmented. The European Commission is expected to bring forward a Communication (White Paper) on proposals for action in this area in the late spring. At the same time, outstanding legislative initiatives in this area include the proposed directive on consumer credit and the payment services directive. Retail financial services are not an area the City of London has prioritised in the past, with its focus on the wholesale side. The City Corporation will, however, monitor developments closely to ensure that there is no spill-over of retail regulatory approach into the wholesale sector.

Pan-European supervision of financial services

10. An important work strand linked to the single market in financial services is the current review of the Lamfalussy Process. The Lamfalussy Process is the comitology approach to legislating EU financial services, incorporating a separation of principles-based legislation drafted and adopted by the EU institutions and technical implementing rules drafted by national regulators and supervisors, with final adoption by the EU institutions. The Lamfalussy Process, which was introduced into the securities area in 2002 and later extended to the banking, insurance and pensions areas, is being evaluated during 2007. While considerable focus will be on how the process has worked during the current round of legislative activity at EU level, there will be some reflection on how the regulation and supervision of financial services could evolve in the medium-term. The City strongly supports the Lamfalussy process, noting that in combination with the Commission's 2005 White Paper on Financial Services, it has delivered better legislation that is more responsive to the needs of the markets. The current supervisory framework is fundamentally sound, and the City looks forward to the Inter-Institutional Monitoring Group's recommendations for improving the effectiveness of the existing framework.

11. The City believes that the current structure works well and that any moves towards centralisation in an EU supervisory institution (or a single regulator) would be premature, before resolving a host of complex legal and political issues reflecting Europe's cultural diversity, on which there is at present little consensus on the way forward; for example, it is argued that a single regulator would require the harmonization of all of the substantive law affecting financial services across the Union, as well as a single fiscal authority, and a EU-wide deposit guarantee scheme. While debate over creating a single regulator at EU level continues, there is still considerable interest in exploring how regulation can be adapted to the changing landscape of EU wholesale financial services. The City of London is engaged in this debate and is seeking to influence views in Brussels in the run-up to the publication of important reports in the autumn.

12. The City has welcomed the European Commission's self-regulatory approach to the issue of Clearing and Settlement, where it has opted for a voluntary Code of Conduct drawn up by industry aimed at creating a more efficient clearing and settlement infrastructure across the EU. On a related issue, the European Central Bank (ECB) has recently proposed to provide securities settlement services in central bank money for euro-denominated securities, (TARGET 2 Securities or T2S). The City is working closely with the ECB as it develops its proposals. It is vital that the users of this system are fully involved in its governance. For the project to succeed any proposal must offer a manifestly better alternative to other possible solutions. The main aim should be the creation of efficient, deep, liquid capital markets backed up by a strong settlement system.

STRENGTHENING CONSUMER TRUST AND PROTECTION

13. The City has noted the Commission's proposal to review the *consumer acquis* whilst the work on the "common frame of reference" for contract law is proceeding. Whilst no issue is taken over this approach, the City remains firmly of the view that the work on contract law should be directed towards establishing a handbook of defined words and expressions to help legislators in achieving greater consistency in EU lawmaking. The City does not support the development of a pan European "optional instrument" governing contractual obligations or any form of European Civil Code.

14. The City believes that any Regulation replacing the current international convention on contractual obligations ("Rome I") should not be over prescriptive and in particular should maintain the current entitlement for the parties to choose the law by which contractual obligations are to be governed.

COMMON CONSOLIDATED CORPORATE TAX BASE (CCCTB)

15. The CCCTB is one of Commissioner Kovacs' main priorities during his period as Tax Commissioner. The European Commission has been working in this area for the last couple of years and formal proposals to introduce a CCCTB are expected in 2008. The proposals are to be justified as a means of simplifying the tax arrangements of European companies with operations across EU Member States. There is, however, a concern that such proposals, if enacted, would be a first step towards a single corporate tax rate across the EU. The City of London would have grave concerns about such an outcome. Given the strong opposition from a group of Member States, however, including the UK, it is highly unlikely these measures would be adopted unanimously. It is to be expected that the Commission will proceed on the basis of enhanced

cooperation, with a group of Member States deciding to agree to the policy proposal. With taxation commonly cited as an important factor for City practitioners, the UK will need to need to position itself carefully during negotiations so as to ensure there are no detrimental effects to UK competitiveness.

ECONOMIC AND MONETARY UNION

16. Whilst the Government's position remains that the UK should continue to opt-out of the single currency, the euro is nevertheless of considerable importance to the City in terms of trade with some 70% of all Eurobonds traded in London. Given the range of practitioners represented in the Square Mile and the diversity of opinion as to the merits of the single currency or otherwise, it is very difficult for the City of London Corporation to make a judgement one way or the other and comment on the single currency. The Committee may however be interested in comments relating to a "non-currency-dimension" of EMU reflected in research recently published by the City of London.⁴ Some of those interviewed by the authors for the research expressed concern that the UK is not routinely involved in some decisions on financial structural matters that now take place as a matter of course within the Eurozone at both Finance Minister and Central Bank Governor level. One of the issues arising from the UK's non-participation in the Eurozone referred to in the research is the fact that although developments within the Eurozone are of direct concern to the financial services industry in London, the industry is not represented in discussions about them. This has given rise to the perception that decisions may be made within the Eurozone at Finance Minister or Central Bank Governor level without reference to the UK, and could have an adverse impact upon the whole sector.

17. The most obvious example of this aspect of the UK's position outside the Eurozone is the debate currently taking place over T2S, the desire by the ECB to build a settlement operation for the Eurozone as a whole. The research concludes that there seems to be no overt desire on the part of players such as the ECB deliberately to exclude the London community from their deliberations. Indeed, in the case of T2S the ECB has already had exploratory discussions in London. The fact remains, however, that combining the UK's non-participation in the Eurozone with the apparent desire of the Bank of England to confine its role quite narrowly to monetary policy is producing a clear and forceful perception in the City that its interests are in serious danger of being under-represented in discussions within the Eurozone.⁵

EUROPE AS A WORLD PARTNER

18. The City of London is following current developments in this area closely. As a pre-eminent international financial services centres, the City has an interest in maintaining the global competitiveness of EU wholesale financial services. The City is supportive of the European Commission's attempts over recent years to integrate better the external dimension into its policy making processes.

19. There is currently considerable focus on the EU-US transatlantic market-place, with discussions covering the potential extension of mutual recognition in certain areas, including securities, between the two jurisdictions. The German Presidency of the EU under Chancellor Merkel took the lead in this area by proposing that a deadline be set for the creation of a transatlantic marketplace, and the Presidency has been working to build support for this initiative over the last few months. This builds on existing work undertaken by the European Commission and its regulatory agency counterparts in the US on building a regular informal dialogue in the area of financial services, which has produced notable successes. The key in these discussions will be the decisions made as to the nature and level of mutual recognition and/or convergence of rules in the financial services area, as well as the political commitment given on both sides of the Atlantic. Another important aspect will be to ensure that bilateral initiatives do not fragment the multilateral approach in the WTO, and as such it will be important to ensure coordination with other jurisdictions at the relevant stage.

20. Relations with other third countries remain high on the EU agenda, and this is work the City of London supports. The creation of City Offices in China and India represents the increased importance of the UK's links with these countries, and the City is pleased to see priority given to the conclusion of revised partnership agreements with these countries.

BETTER REGULATION⁶

21. The City of London has long promoted the principles of better regulation at EU level. This has notably been achieved through the City Research Programme, which to date has published three major publications on the topic.⁷ Each of these reports has served to influence the debate in Brussels and it is encouraging to note the progress being made. Of particular note is the creation of an Impact Assessment

⁴ *"The Competitive Impact of London's Financial Market Infrastructure"*, Bourse Consult, published by the City of London Corporation, April 2007.

⁵ *ibid.*

⁶ Comments included at paras 5 and 6 are also relevant in this context.

⁷ *"Reducing the Regulatory Burden: The Arrival of Meaningful Regulatory Impact Analysis"*, European Policy Forum, published by the City of London Corporation, July 2004; *"Rebalancing UK and European Regulation"*, European Policy Forum, published by the City of London Corporation, April 2005; *"Evaluating Better Regulation: Building the System"*, op cit.

Board within the European Commission. This Board, composed of senior Directors from the leading directorates in the economic, social and environmental fields, reports directly to Commission President Barroso on the quality of impact assessments drafted by Commission services to accompany legislative proposals. The creation of this Board should provide stakeholders with an additional means of drawing legislators' attention to poorly designed impact assessments before legislation is formally proposed.

22. Work continues on the programme to reduce the administrative costs of implemented legislation and the simplification programme. Regarding the latter, work has not proceeded as rapidly as might have been wished, partly due to the choice of measures to be simplified, but also due to the fact that decisions on repeal or amendment or subject to the normal EU decision-making processes (ie in many cases co-decision).

23. A potentially important recent development has been the adoption by the Commission of guidelines for the ex-post analysis of impact assessments. Essentially, this provides for a systematic review of the initial basis for EU legislation once the final measures have been implemented in the Member States, effectively closing the circle. It is intended that this work feeds back into the policy-making process to ensure that "lessons learned" are incorporated at the earliest stage. The City of London supports these developments and indeed recently invited one of the Commission's lead officials on the project to speak at a meeting with City practitioners in London.

April 2007

Memorandum submitted by Open Europe

This document focuses on the first two questions posed by the Committee in its enquiry into the Annual Policy Review: which of the proposed measures are significant and which might raise questions about subsidiarity and proportionality?

Our analysis follows the structure of the Commission's own paper.

MEASURES UNDER THE "PROSPERITY" HEADING

Environment and energy

Gas network and European Grid: to what extent might these proposals imply a single regulator? To what extent are problems with energy markets due to a lack of physical infrastructure rather than due to dominant players in the market? How much would an increase in interconnection cost and what would the benefits be for the UK?

Oil stocks system and enhanced energy solidarity: If this implies an increase in statutory reserve requirements the cost could be quite substantial. The UK Government has resisted increased requirements in the past. New obligations of energy "solidarity" should be looked at carefully.

Energy competence in general: there are a number of energy policies proposed here. Given the lack of such a competence in the treaties at present, presumably such proposals would have to involve the heavy use of Article 308 as a base.

The Global Climate Policy Alliance does not appear to have been mentioned before by the Commission. Despite rhetoric about "encouraging" developing countries to "engage" with the issue, this proposal is likely to raise a number of controversial issues. In particular, in the section on the budgetary implications of the 2008 foreign policy priorities, the Commission suggests that as well as spending €50m on the GCPA, which will encourage both adaptation and emissions mitigation, it also hopes that there will be "synergies from the EDF"—implying that aid funds may be diverted to, or made conditional on GHG mitigation: a very controversial suggestion. There might be similar concerns about the parallel suggestion of a Global Energy Efficiency and Renewable Energy Fund.

Post 2012 responsibilities: The Policy Strategy notes that 2008 will be the key year for the negotiation of a post-Kyoto agreement, and international burden sharing agreements. However, EU members will have already made commitments to 2020 in the autumn of 2007, when the division of the recently agreed 20% reduction commitment is negotiated. Because of their significance Open Europe believes that the ESC and other Committees should give those negotiations particular scrutiny.

Emissions controls on shipping; legislation to reduce nitrogen oxide emissions from aviation; and legislation on nuclear waste management are all almost certain to raise subsidiarity questions and also questions of external competence.

Legislation on urban transport raises major subsidiarity issues. Matthias Ruete, Director General, European Commission, DG Transport commented recently that "For many years, the issue of urban transport was kept hidden behind the principle of subsidiarity. As a consequence, very little initiatives and proposals were put forward by the EC for the last 10 years. The time has come to change that attitude." Messages received from politicians, representatives of the European Institutions, local authorities and citizens call for actions at European level. There are expectations from the EU while its real competences are limited." We are not convinced that this is the case.

This year's green paper, (expected in September) should give a clearer indication of what specific policies are likely to be proposed. Transport Commissioner Jacques Barrot has noted possible areas for intervention, such as regulation of urban infrastructure use, pricing systems (such as an EU-wide policy on congestion charging) and traffic management/ control systems. Others have suggested harmonised standards for public transport. Matthias Ruete, has said that "There will be opportunities for a European policy to achieve harmonisation, better coordination and cooperation at European level and to identify good ways for financial support, and if and when necessary, new legislation. We will repeal existing legislation or possibly introduce new legislation regarding for example interoperability questions, crossborder pursuit of traffic offenders, air quality, etc".

Barrot concluded that "Concerns about the respect of the subsidiarity principle should not be in any way a barrier to proposals for new initiatives." An EU-wide road charging scheme as the eventual goal has been widely discussed, and legislation on the interoperability of road pricing systems suggests a move in this direction. This issue deserves scrutiny in committee.

Single market

Single Market review: The Policy Strategy mentions that the Commission will review the EU's Financial Services Action Plan, the implementation of which is now nearly complete. The FSAP has proved extremely costly—we estimate costs of up to £23bn in the UK—whilst the mooted benefits remain uncertain given divergent implementation and enforcement between member states. Given the significance of these costs we believe these questions deserve a great deal of attention in ESC and other committees.

We believe the Commission must be prepared to radically overhaul the legislation passed under the Financial Services Action Plan as part of the review.

Experience has shown that complex, pan-European harmonising regulatory initiatives on this model present many serious pitfalls. Future EU policy in financial services is likely to focus on retail markets, with proposals for standardised rules on savings and investments a strong possibility. Broadly speaking, a number of large continental firms (such as BNPP, Allianz and Axa) support an approach tending towards harmonisation, whilst UK firms maintain doubts over harmonisation, preferring the EU to focus on breaking down barriers to entry in other member states' markets and promoting regulatory competition. They hold that there is limited consumer demand for "cross-border" purchase of retail financial services, and therefore little need for harmonised rules—market integration has occurred, and will continue to occur, on the basis of foreign acquisitions and setting up branches overseas.

Open Europe supports the latter approach, and would emphasise the dangers of harmonisation in this area. This danger has already been demonstrated by the Insurance Mediation Directive—attempting to create a standardised rulebook for sales of retail insurance products in Europe—which has generated huge compliance costs (£400 million per year according to the ABI) whilst not improving consumer protection. The currently stalled Consumer Credit Directive risks creating similar problems. There are now fears within the UK industry that EU policymakers will return to harmonisation and repeat previous costly mistakes without successfully unlocking the benefits of cross-border trade.

Common Corporate Tax Base: Tax Commissioner Laszlo Kovacs has already said that the EU will push for a harmonised corporate tax base in Europe by 2010. EU member states are deeply divided over tax harmonisation, with 12 capitals in favour, five to seven against and the rest remaining undecided. However, to circumvent this lack of consensus, the Commission plans to use the mechanism of "enhanced cooperation", which allows at least eight member states to pursue and adopt policy which may be opposed by others.

While in principle there is no reason why we should object to this, close scrutiny will be essential to ensure that any harmonisation of tax bases and accounting procedures cannot be used as a "lever" to put pressure on non-participating members to harmonise their tax rates.

Managing migration

The Common European Asylum System raises many questions. Given that the system is intended to be in place by 2010, policy is marching a long way ahead of public awareness. While the significance of these measures for the UK depends partly on the UK's level of participation, it would be wrong to believe that if we do not opt in it will not affect us. Free movement across the Schengen space means that there are likely to be knock-on effects even if the UK does not participate. Legislation on the entry of seasonal workers and remunerated trainees will raise similar questions.

New powers for the external borders agency: The Commission's proposed migration "surveillance system" is new and will deserve careful scrutiny.

The Commission proposes a "combined migration and development agenda": this implies that aid will be made conditional to some degree on reducing emigration, which is likely to be controversial.

Education and research

The European Institute of Technology is moving ahead despite criticism from, amongst others, the UK Government. The Policy Strategy states that preparatory work will be carried out in 2008. All of this will deserve careful scrutiny as it is not clear what value the EIT is adding, even as a “decentralised” institution working with existing universities.

MEASURES UNDER THE “SOLIDARITY” HEADING

Agriculture and fishing

Improved “enforcement” of the CFP is interesting because it implies that the current, fundamentally flawed, framework will stay in place. A more balanced approach to enforcement would be welcome—for example UK Fisheries Minister Ben Bradshaw has complained that the EU Commission is allowing French fishermen to catch 40% more tuna than their quota while penalising UK and Irish boats for going over their herring and mackerel quotas. Scrutiny might usefully be applied to the question of whether tougher “enforcement” of the current system is likely to solve its obvious problems.

Social solidarity

The Globalisation Adjustment Fund, initially opposed by the UK, should be monitored carefully.

Defining Services of General Interest will be hugely significant for public services.

Equal opportunities

Initiatives designed to prevent discrimination outside the labour market seem, prima facie, to be likely to raise serious questions about subsidiarity for obvious reasons. The recent debate in the UK over the right of non-governmental adoption agencies not to place children with homosexual couples is a good example of the sort of controversial question that these proposed measures might cover. It is not at all clear why such controversial decisions should be made at European level, when their scope is explicitly nothing to do with the labour market.

Measures aimed at “Reconciling family and working life”: The proposed measures to “enhance a better reconciliation between family and professional life” could easily lead to another attempt to remove the UK’s opt-out from the working week or further measures to restrict working time. We believe that if the principle of subsidiarity is to have any real meaning then this would not be an area for EU action. We note that according to the British Government’s own impact assessments the Working Time Regulations have cost the UK economy £14.2 billion since 1999⁸ and that the DTI has calculated that the UK’s opt-out is worth £9 billion annually.⁹ UK businesses would be firmly opposed to any further EU regulation of working time. It is curious that the EU Commission—which is committed to a “better regulation” agenda—is still pushing to stop workers from deciding how many hours they want to work in a week.

European citizenship

Consular Protection: The Commission’s green paper from the end of November 2006 suggests that this proposal is likely to be very controversial. It stated that “The Barnier report suggested that all passports should have Article 20 EC printed in them. In its report of 15 June 2006 to the European Council, the Council Presidency asked the Member States to print Article 20 EC in passports. The Commission considers that this would be an effective way of reminding citizens of their rights.”

It also suggested setting up common offices, arguing that “Setting up common offices would help to streamline functions and save on the fixed costs of the structures of Member States’ diplomatic and consular networks . . . these offices could be housed in various representations or national embassies or in just one, or they could share the Commission delegation.” It went on to say that “the EU consulates could take over functions now controlled by member states, including issuing visas. “In the long term, common offices could perform consular functions, such as issuing visas or legalising documents.”

Rights of the child

The policy strategy suggests, but does not explain, a range of possible actions under the heading of the “rights of the child.” Measures which would involve the EU attempting to regulate the internet or determine age limits on buying violent computer games are likely to raise questions about subsidiarity and also practicality.

⁸ British Chambers of Commerce, Burdens Barometer 2007.

⁹ *Sunday Express*, 9 February 2004.

MEASURES UNDER THE HEADING “SECURITY AND FREEDOM”

Fighting organised crime and terrorism

Strengthening Eurojust: The Policy Strategy talks about Eurojust both “investigating and prosecuting” criminals. Eurojust President Michael Kennedy also recently argued that: “Ultimately there should be some sort of operational structure, giving powers to Eurojust to investigate—or to take part in investigations—and prosecute.”¹⁰ Such powers would raise significant subsidiarity questions. The phrase “strengthening Eurojust” is often used as shorthand for moves towards creating a European Public Prosecutor’s office. Commissioner Frattini recently said that this is an idea that “needs to be explored”.¹¹ The proposal for a European Public Prosecutor is unacceptable for a number of reasons not least because it would act as a catalyst for further harmonisation of member states’ criminal law. The creation of the position itself could create problems for common law countries.

A central fingerprint database. While we recognise the value of police cooperation in Europe in helping to tackle organised crime and trafficking, we have misgivings about drives towards sharing intelligence across the EU such as the measures involved in the Prum Treaty. There are currently few safeguards in place to stop corrupt officials obtaining sensitive information from other countries and virtually no way of checking that the information—once obtained—is used for legitimate purposes. This poses a particular risk in respect of the two newest member states, especially in the light of the concerns raised over the independence of their judiciaries and police forces. We are particularly wary about plans for a centralised database of fingerprints which poses a number of civil liberties issues—not least with whom it would be shared; who would have access to it; what data it would become compulsory for member states to collect to support it; and what types of data might be merged (passport applications, asylum applications, travel data, criminal data) and under what system (hit or no hit etc).

A policy to tackle violent radicalisation could be questioned on subsidiarity grounds. It is not clear why such action need to be taken at European level.

MEASURES UNDER THE HEADING “EUROPE AS A WORLD PARTNER”

The Doha round versus the “Competitiveness agenda”. The Communication notes that “the Union is working hard to ensure the successful completion and implementation of the Doha Development Round”. We would question the level of this “commitment”, given the limited nature of the EU offer. In particular, the “small print” of the EU’s offer blocks a really successful outcome at Doha through its special conditions for so many ‘sensitive’ products.

The Communication notes that this “will be complemented by bilateral negotiations for a new generation of free trade agreements with important emerging economies”, under which it plans to agree new Free Trade Agreements with India, South Korea and the Association of Southeast Asian Nations (ASEAN).

A wider issue which deserves scrutiny is the tension between a commitment to the multilateral approach and the pursuit of bilateral deals with mid-income countries.

Failure to agree a substantial multilateral deal is already leading to an explosion in the number of discriminatory bilateral deals. These will not deliver anything like the benefits of multilateral liberalisation, and could actually be damaging for developing countries because of the “hub and spoke” effect.

The deals with Korea and ASEAN undermine both the EU’s supposed commitment to multilateralism, and its supposed commitment to a system of income based trade preferences. The bilateral deals are likely to have a marginal effect on income in the EU even if successful, but are likely to damage LDCs and other low income countries, which would suffer preference erosion without receiving any corresponding benefits. Given the EU’s use of preference erosion as an argument against radical multilateral liberalisation, this is hypocritical in the extreme.

Economic Partnership Agreements: 1 Jan 2008 is the deadline for the entry into force of Economic Partnership Agreements (EPAs) which are very significant and deserve more scrutiny.

The basic goal of EPAs is for African, Caribbean and Pacific (ACP) countries to form themselves into six regional blocs which will liberalise trade both amongst themselves and with respect to the EU. The Commission hopes that the EPA regions will agree to form a common external tariff. EPAs are scheduled to be finalised by the end of 2007. The Commission has refused to rule out increasing tariffs on non-LDC ACP countries should they fail to sign an EPA by the end of the year.

Many ACP ministers are concerned that developing countries will be compelled to liberalise trade in goods and services too much, too fast, the main risk being the effect of rapidly opening up trade to the EU. There are fears that ACP exporters will not significantly increase their exports to the EU, while European exporters largely increase their shares on the ACP markets, meaning that ACP countries will undergo major trade imbalances, drops in industrial output and job losses. By imposing an external timetable for liberalisation the EU risks undermining rather than boosting support for free trade.

¹⁰ Seminar, 16 April 2007.

¹¹ *EUobserver*, 17 April 2007.

Whilst the EU argues that the new regime will help to foster regional integration, and increase “south-south” trade, aiding the integration of developing countries in the global economy, the opposite could be the reality. The Overseas Development Institute argues that, “If regional partners do not have identical tariffs towards the EU the effect will be to give new impetus to maintaining border controls between them—to intercept European goods entering an EPA state with a low tariff and being transhipped to one with a high tariff.”¹²

The Communication says that the European Development Fund will “strive for synergies” with the EPAs. Making EU aid conditional on the acceptance of EPAs would be controversial. Several developing country governments see the current shape of the negotiations as the worst of both worlds: the EU will not agree formal aid commitments within the EPAs, but is threatening to make future aid conditional on the degree to which countries accept the EU’s negotiating objectives.

MEASURES UNDER THE HEADING “BETTER REGULATION”

The “Better regulation” agenda deserves further scrutiny as it appears to be having little effect so far.

In 2004 the EU Commission pledged to build “a bonfire of red tape” as it announced its new Better Regulation programme. Industry Commissioner Gunter Verheugen said that “cutting red tape” would be his “personal trademark.” In spite of this fine sounding rhetoric there has been little in the way of results on the ground.

Verheugen said that he wants to slay the public perception that Brussels is “a bureaucratic monster whose tentacles leave no village untouched,” by repealing or simplifying 1,500 pieces of existing EU legislation over three years. But the results have been disappointing.¹³

In late September 2005, the EU Commission announced that it had decided to withdraw 68 pending proposals for legislation. However, on close inspection, it is clear that this was not the “bonfire of the diktats” it was purported to be. Most of the 68 bills concerned were already obsolete, or had been pending for years. 27 of them, for example, were over five years old, and 22 of them concerned the association agreements signed with the ten new member countries, which all became defunct when they joined the EU last year. Many of the other regulations are to be rewritten and will return in one form or another.

The next step in the EU Commission’s campaign against over-regulation was announced in October 2005. It said it had turned its attention to the 85,000 pages of EU legislation already in existence and said that it aimed to reduce the damage this does to the competitiveness of European businesses, by repealing or recasting 222 pieces of legislation.¹⁴ But again, on close inspection the reality is disappointing. Only eight directives or regulations are definitely going to be repealed and not replaced with other regulations, and the Commission is actually proposing to introduce a new regulation which will apply to small firms. This will make very little impact on the mountain of existing EU regulation. Such was the resistance to reform within the Commission itself that only 50 of the directives intended to be rewritten or repealed had been completed by the end of 2006.¹⁵

Given that Commissioner Verheugen has said that the administrative burden of EU regulation alone costs the EU economy over €600 billion a year, the Commission’s approach is not commensurate to the scale of the problem. Rather than focusing on redrafting and consolidating regulations the Commission needs to focus on repealing rather than simply consolidating legislation.

April 2007

Memorandum submitted by Brendan Donnelly, Director, The Federal Trust

1. The European Commission’s Annual Policy Strategy (APS) cannot properly be compared to a draft legislative and political programme put forward by a national government at the beginning of a new parliamentary period. The great majority of the initiatives envisaged by the Commission for 2008 can only be carried out in collaboration with the Council and European Parliament. Where new legislation is in prospect, decision-making is exclusively in the hands of the Council and Parliament, which may delay, amend or reject any proposals coming from the Commission. In consequence, much of the APS can do little more than point towards areas in which the Commission intends to be active. What, if any, will be the precise result of this activity is therefore only to a very limited degree within the Commission’s power to decide or

¹² Overseas Development Institute Briefing Paper 4 (June 2006).

¹³ 26 October 2006, *Financial Times*.

¹⁴ *Ibid.*

¹⁵ A Strategic review of Better Regulation in the European Union, 14 November 2006.

even predict. The Commission is emphatically not in the position of a government enjoying a stable parliamentary majority on which it can call for the implementation of its legislative programme. Although it can reasonably be expected that the APS will provide an important roadmap for the Commission's activities over the coming eighteen months, external events and the Commission's interchanges with the European Parliament and member state governments will inevitably refine the picture on a constantly changing basis.

2. Two aspects of the Commission's APS for 2008 are, however, worthy of particular comment. On the one hand, the Strategy presents in a relatively comprehensive form the policy fields on which the Commission intends to concentrate in the near future. It also gives at least some indication of the policy measures it intends to bring forward in these policy fields. This overview will be of particular use to national parliaments, who are thereby given notice of the European discussions and decisions to which their national governments will in the near future be contributing. Specialist committees of national parliaments above all will have as a result of this document the opportunity to scrutinise from a very early stage of the process the conduct of their own national governments in regard to evolving European legislation within their sphere of interest. On the other hand, and just as usefully, the Commission's APS also gives in its general tone and structure an up to date reflection of how the current Commission sees its own role within the overall institutional structure of the European Union. This particular Strategy clearly reflects the political analysis and preferred rhetoric of Mr. Barroso's Commission.

3. In the introductory two pages of the Strategy, the word "delivery" and its cognates figure no fewer than six times. In a number of widely-reported speeches in London and elsewhere, Mr. Barroso has repeatedly emphasized over the past year his view that an important way to improve the standing of the European Union in general and the Commission in particular is to demonstrate to groups and individuals within the Union that their personal and material circumstances are directly improved by those actions of the Union which "deliver" beneficial results. This argument is often associated by Mr. Barroso and other members of the European Commission with the further proposition that institutional change within the European Union, along for instance the lines suggested by the European Constitutional Treaty, will become politically more acceptable to public opinion throughout the European Union if the European institutions enjoy the popular prestige and sympathy arising from the "delivery" of successful policies. This analysis is consistently reflected in the Strategy for 2008. Although it is in many ways an attractive analysis, notably to a British audience, it is one not without difficulties, difficulties which are only partly reflected in the document under consideration. For a number of separate but related reasons, the European Union is frequently not in a position to "deliver" by its own efforts the goals which it claims to have set itself. In most cases, the Union can at best contribute to the realisation of those goals by national or local governments and other economic actors. Moreover, when the goals in question are or may have been realised, governments and other national economic actors are not always eager to stress even the facilitating role that the European Union has played in the progress achieved.

4. The greatest gap between the rhetoric of "delivery" and political reality is to be found in the conception and execution of the so-called "Lisbon agenda." This programme, essentially one of economic reform and modernisation, is one which is to be carried out overwhelmingly at the national level, rightly reflecting the different circumstances and needs of the different member states of the Union. These member states have been predictably unwilling to confide to the European Union's central institutions the powers and resources necessary for action by the European Union to realise the ambitious goals of the Lisbon Agenda. The member states have preferred to pursue, more or less successfully and largely on their own account, their national policies of economic modernisation, with national governments seeking and sometimes succeeding in reaping the electoral benefit of economic success in their respective countries. It is difficult to think of any country in which the standing of the European Union and its institutions has been substantially enhanced by the Lisbon Agenda. More importantly, it is anyway difficult to conceive of the circumstances in which that might have been the case. There is a systematic danger in the "delivery agenda" that its rhetoric will generate optimistic headlines in the short term, but disillusionment in the longer term when unrealistic goals cannot be achieved.

5. None of this is to say that the Commission should eschew efforts to "deliver" demonstrable improvements in the standard and manner of living of ordinary Europeans. It should, however, avoid awakening exaggerated expectations as to its own room for manoeuvre in this respect. In particular, the Commission should not harbour the illusion that its agenda of "delivery" will of itself be sufficient to resolve the political crisis brought upon the European Union by the referendums of 2005 in France and the Netherlands. It is unimaginable that the "delivery" agenda will bring about sufficient demonstrable advantages for European workers and consumers sufficiently quickly to make the case for the sort of institutional reforms proposed in the European Constitutional Treaty and which have been restored to the European Union's agenda by the current German Presidency. The case for or against these reforms will need to be considered on their current merits, not on the basis of future benefits "delivered" by the European

Union to a grateful population. It is in any event one argument deployed by those favourable to the European Constitutional Treaty's provisions that these provisions will make it easier, in an enlarged European Union, to "deliver" the benefits to which the present Commission aspires. The political challenges manifested by the public debate surrounding the French and Dutch referendums cut deeper than the benefits conferred upon travelling Europeans by lower "roaming" charges, desirable though these benefits are in themselves.

6. Academic commentators sometimes use the concept of "output legitimacy" to describe the acceptance which a political organisation can enjoy among its membership if it produces results which are demonstrably advantageous to those who participate in it. The current European Commission clearly aspires to achieve such "output legitimacy" by its stress on the "delivery" of tangible benefits to European workers and consumers. Historically, it has certainly been true that the popularity of the European Union has increased in times of European economic prosperity. Economic stagnation traditionally leads, in Europe and elsewhere, to dissatisfaction with political institutions, both national and supranational. Better economic performance over the next five years in France, for instance, might well soften the fear of globalisation which was an important contribution to the rejection of the European Constitutional Treaty by the French voters in 2005.

7. The concept of "output legitimacy" is, however, itself a controversial one, particularly in its application to the European Union. For reasons discussed above, it is not always easy to establish what are the specific "outputs" of the European Union, particularly if these outputs are conceived primarily in material and economic terms. Nor will economically significant "outputs" always confer themselves "legitimacy" on the institution supposedly achieving these economic advances. The European Commission is certainly not wrong in believing that a part of the answer to the European Union's current malaise lies in the demonstration that specific economic benefits arise from the Union's activities. But this "delivery" of economic benefits needs to be complemented by (and cannot replace) a broader political account of what the European Union is for and what its future direction should be. Previous Commissions have seen it as part of their duty to contribute to that account. It is not necessarily an improvement that this present Commission is so reticent in this regard. In the Annual Policy Strategy, there are admittedly important signposts towards a more politically compelling account of the European Union's future development, such as the emphasis on environmental questions, the European Union's external policies and internal security. These are all areas of the Union's activity which correspond to deep concerns of ordinary Europeans and where an unambiguous case for unified European action is relatively easy to expound. It is a commonplace to say that with the disappearance of the threat of internecine war in Europe, the European Union needs a new "narrative" to justify its further integration, or perhaps even continued existence. The present European Commission appears to believe that a central element in that new "narrative" will be its "delivery agenda," a view reflected in its APS for 2008. The central thesis of this note is that the Commission's concentration on its "delivery agenda" at best runs the risk of being an inadequate approach and may even in some circumstances be counter-productive.

1 May 2007

Letter dated 18 June 2007 from Günter Verheugen, Vice-President of the European Commission to Mr Bill Newton Dunn MEP (submitted as supplementary information following the evidence session on 9 May 2007)

Thank you very much for your recent correspondence. I understand that unfortunately there are still some misunderstandings regarding the analysis and calculations that underpin the administrative burden reduction programme. I hope therefore that this can serve to unambiguously explain the evidence base on which our ambitious action programme rests.

Work carried out by the Central Planning Bureau of the Netherlands and DG Enterprise and Industry shows that the administrative burden in the EU varies from 1.5% of GDP in Finland, Sweden and the UK to 6.8% in countries like Greece and Hungary (see annex). This work also estimates the administrative burden across the EU 25 at 3.5% of GDP, or EUR 350 billion. These estimates are well within a range of estimates that have often been quoted in the press. It should be noted that these EUR 350 billion are the result of direct EU level legislation as well as the national implementation of legislation with an EU origin, and national and regional measures.

Evidence from those countries that have already carried out their own baseline measurements, ie the UK, the Netherlands and Denmark, suggests that the amount of their overall administrative burden that can be traced back to the EU level is between 30 to 40%¹⁶. As this also includes the national implementation of EU legislation, and given there are reasons to believe that this legislation is not always implemented in the most

¹⁶ See Commission Working Document COM(2006) 691 final: Measuring administrative costs and reducing administrative burdens in the European Union.

efficient way (eg gold-plating), it is fair to say that the real amount that is due to the EU level is even less than the 30–40% stated above. Thus, it is clear that the majority of the administrative burden does not come from the EU level but that it has its origins elsewhere. This also underlines the need for a combined effort to reduce the burden by 25% as envisaged by the Commission's action programme.

The economic impact of this 25% reduction works via increases in labour efficiency. The administrative burden is made up of activities directly related to the need for complying with information obligations that are due to legislation (eg time and effort of filling-in forms). As the administrative burden is reduced, employees spend less time carrying out those tasks but more time being productive (increasing labour efficiency).

The increase in labour efficiency happens in two stages. In the first stage, more employee time is released for participation in the production process, which raises total production (output). There is, of course, a relationship between labour and capital in production processes. According to economic theory firms optimise this relationship. When more labour is released for production, it follows that the capital stock will have to adjust so that the optimal capital/labour relationship is re-established. This is the second round effect. As capital investment increases, there is an additional productivity gain.

The first round effect is expected to lead to a rise in the level of GDP of around 1.1%. The second round effect, which will take longer, is estimated to contribute a further 0.2–0.4% to the level of GDP. This means that once the whole process has taken place, the level of GDP will be c 1.5% (or EUR 150 billion in real terms) higher than it would be in the absence of an administrative burden reduction. As this is an increase in the level of GDP, it does not change its long run dynamics, ie the growth rate.

It should be pointed out that this increase in the level of GDP of EUR 150 billion is due to gains in labour efficiency. This is not the same as saying that 25% of the current administrative burden is EUR 150 billion. Based on the estimate mentioned above, the current administrative burden is EUR 350 billion.

However, to put this GDP increase into context, the estimated effect of the introduction of the services directive is that it will increase GDP by 0.2–0.8 % and the impact of the 7th R&D Framework Programme is in the region of 0.5–1.0% of GDP.

It is clear that many information obligations and EU level legislation more widely serve a very important purpose by enabling policies to be implemented and devised efficiently and effectively in areas such as the environment, health and safety etc. The reason why a proportion of them originate at the EU-level is to do with the single market and itself simplification.

It should not be forgotten that internal market rules exist in order to replace 27 differing national systems. In such a world, the efficient workings of the single market would be hindered, transaction costs higher and intra-EU trade and competition lower. To give but one example, and there are of course many more, until 2000 a company wanting to place radio equipment on the market in all EU countries would be faced by 1,400 national type approval regulations/and there were only 15 Member States at the time! The same product would be tested by each national authority, and each time this would take between two and six months. In April 2000 one Directive replaced all this by a single regime allowing the manufacturers to test themselves in their factory, once and for all, for the whole Union.

In economic terms, the single market has led to significant benefits for the EU economy. Over the period 1992-2006, the estimated gains of the single market amount to 2.2% of the EU GDP and 2.75 million extra jobs¹⁷.

The success of the internal market is also widely recognised by the general public and the business community. A survey conducted in 2002 showed that 76% of companies exporting within the EU took a positive view of the influence of the single market on their business. More than 60% of these companies find that the internal market has contributed to their success in selling their products in other Member States. Moreover, Eurobarometer surveys show that 70 to 80% of citizen across the EU have a positive perception of the single market¹⁸.

We fully recognise however that our rules need to be updated and revised in order to keep the single market efficient and successful. With time reporting requirements can become obsolete, while technological progress in the form of IT developments allows more efficient ways of ensuring the availability of information. That is why we have set ourselves the ambitious goal of reducing the existing burden by 25%.

I hope this information is useful to you. I would also be more than happy for you to share this letter with any colleagues of yours who may still have queries concerning this exercise so that they too may gain a better understanding of its underlying analysis.

Annex

A very good illustration of the expected benefits of this exercise is Gelauff and Lejour¹⁹ (2006) who used the Worldscan general equilibrium model for their work. My officials in DG ENTR have carried out similar work which has confirmed the results obtained by

¹⁷ See COM (2007) 60 final "A single market for citizens—Interim report to the 2007 Spring European Council".

¹⁸ Eurobarometer October 2006.

¹⁹ See: Industrial Policy and Economic Reform Papers no. 1 at <http://ec.europa.eu/enterprise/enterprise—policy/competitiveness/index—en.htm> or <http://www.cpb.nl/eng/pub/cpbreeksen/document/104/>

Gelauff and Lejour.

Gelauff and Lejour use the estimates of the administrative burden those obtained by Kox²⁰ (2005). These estimates are based on data obtained from the Netherlands which was then combined with OECD data on actual business start-up costs to give country specific estimates of the administrative burden. This has led to an estimate of 3.5 % (or EUR 350 billion) for the EU 25. The estimates for each of the EU 25 are given in Table 1 and range from 1.5% (UK, SE and FI) to 6.8 % (GR and HU).

Table 1

ADMINISTRATIVE COST AS % OF GDP

<i>Member State</i>	<i>Administrative cost share in GDP (in %)²¹</i>
AT	4,6
BL ²²	2,8
CZ	3,3
DE	3,7
DK	1,9
ES	4,6
FI	1,5
FR	3,7
UK	1,5
GR	6,8
HU	6,8
IE	2,4
IT	4,6
NL	3,7
PL	5,0
PT	4,6
RE	6,8
SK	4,6
SI	4,1
SE	1,5
EU-25	3,5

²⁰ See <http://www.cpb.nl/eng/pub/cpbreksen/memorandum/136/>

²¹ Values used in Gelauff and Lejour (2006) based on Kox (2005).

²² BL combines Belgium and Luxembourg; RE combines the Baltic Members States, Malta and Cyprus; EU-25 figures are GDP-weighted averages