

CPS

Corporate & Public Strategy
Advisory Group



EU Corridors

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- **Editorial**

This month's Editorial section covers the recent Presidential elections in Southern Cyprus and their impact on the future of the island.

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Editorial

Peace in Cyprus?

Turkish Cypriots were silent before general elections were held in Southern Cyprus last month. But they were wishing for the departure of the Greek leader Tassos Papadopoulos, who deterred even Brussels for the past five years. No one from either side of the Island, however, believed he would lose the first round, as polls have always shown Papadopoulos ahead. After his elimination and the second round of elections, which took place on February 24, Communist AKEL leader Christophias won 53.4% of the vote, suddenly changing the Island's mood. It seems Greek voters went to the polls eager to vote against partition and for a solution. Even though Papadopoulos garnered 30% of the votes, a large majority is fed up with his policies. Does this mean we will encounter peace in Cyprus in the near future?

Christophias has to Persuade!

Although Christophias has maintained friendly relations with Northern Cyprus leader Mehmet Ali Talat for some time, he was also a coalition partner of Papadopoulos for four and a half years. Christophias lost the trust of Turkish Cypriots when he vetoed the 2004 peace treaty. His wish to meet Talat face to face directly following the elections, therefore, could be viewed as an effort to rebuild trust. The new Greek leader has said, more than once, that Turkish Cypriots should have equal political rights, distancing himself from Papadopoulos. If Christophias is serious, from here on the reconciliation process could move forward much faster. Talat and Christophias are expected to meet this month. Also, the United Nations (UN) peace negotiations may commence next month. But for negotiations to be successful Turkey, which has been dealing with its own internal disputes, must lend support. Could Annan's plan, which was rejected by the Greeks in 2004, return to the negotiating table? No one expects the initial plan, which took years to forge, to be neglected outright. With a renewed name and a few changes, a similar packet could potentially be put forward. Still, it is uncertain how the new version of the old plan will look.

Duygu Leloglu
BRUSSELS

News

EU worries about latest developments in Turkey

The initiative by Turkish chief prosecutor to ban the ruling Justice and Development Party has created shock and anxiety in Brussels. Concerning recent developments in Turkey, the Commissioner for Enlargement Olli Rehn stated: "In a normal European democracy, political issues are debated in parliament and decided in the ballot box, not in the courtroom". The Commissioner has stressed that in democracies governments do not intervene in justice, and the judiciary does not interfere with politics, and he added "I hope this incident does not consume much political energy and that it does not delay or distract attention from EU reforms ... I trust that the government will focus on the reforms". On the other hand, Joost Lagendijk, Co-Chairman of Turkey-EU Joint Parliamentary Committee, assessed the case as a "judicial coup" and criticized it as a typical move by a state that does not trust its people. According to Lagendijk, the latest attempt of hard core secularists in Turkey eventually gives to the public the message that 'we do not trust what you have chosen and we know what is best for you.' The Co-Chairman further claimed, in case of the closure of Justice and Development Party, Turkey's relations with the whole world will be damaged.

European Council Conclusions focused on Three Policy Areas

At the European Council held on 13-14 March, the EU heads of state and government adopted conclusions mainly focusing on three areas. Lisbon Strategy, energy and climate change package and the stability of financial markets have been the major policy areas of concern. During the Summit, the EU leaders set three-year cycle of 2008-2010 Lisbon Strategy in motion, acknowledged their commitment to adopt new EU energy and climate package by mid-2009 and discussed the concerns for the stability of financial markets. Concerning the Lisbon Strategy, the leaders endorsed national policies of growth and employment and further emphasized the social content of Lisbon Strategy. The leaders also agreed to conclude the discussions by the end of 2008, and adopt new energy and climate package at the Spring EU Council in 2009. Within the scope of the package, it is decided the EU will work to enhance market mechanisms to meet committed targets, sustain competitiveness of energy-intensive sectors, encourage global consensus for the reduction of CO₂ emissions by 30% and develop effective and sustainable benchmarks for bio-fuels. In addition, according to the conclusions, the EU will make an effort to promote transparency and general standards to sustain stability at financial markets.

EU Leaders Agreed on a "Union for the Mediterranean"

During the Spring Summit, the EU leaders have agreed on the creation of a "Union for the Mediterranean", brainchild of French President Nicolas Sarkozy, to improve the Union's relations with North Africa and the Middle East. The Mediterranean Union will concentrate on issues such as energy security, pollution, surveillance of maritime traffic, establishment of "civil security cooperation" and a Mediterranean Erasmus student exchange programme, and developing a scientific community between Europe and its southern neighbors. Although the initial plan foresaw a group of states composed of the Mediterranean members of the EU and its neighbouring countries, as a result of the strong resistance from Germany, the leaders agreed on a union that will involve all EU-27. Germany has also rejected further fund for the new union from the EU, apart from the budget allocated for the Barcelona Process.

EU Accepts Revised Accession Partnership

The General Affairs and External Relations Council adopted on February 18 a revision to the short and long term conditions in their accession partnership with Turkey. The Council outlined the framework for Turkey's short term priorities and signaled Ankara to complete them within one to two years. The issues cover democracy and rule of law, human rights, economic and social rights, minority rights and the protection of minorities, cultural rights, civil and political rights, regional issues, international obligations and the ability to assume the *acquis* in the negotiation chapters. Three to four year priorities include the economic criteria and the ability to assume the obligation of membership.

Turkey Joins the EU's Competitiveness and Innovation Programme

Following Croatia and Macedonia, Turkey is the third candidate country to join the Competitiveness and Innovation Program (CIP) initiated by the European Commission to promote innovation, entrepreneurship and growth in SMEs (Small-Medium Enterprise). A Memorandum of Understanding marking the entry of the Republic of Turkey to the CIP programme was signed by the Ambassador of the Permanent Mission of Turkey, Mr. Volkan Bozkir and European Commission Vice President, Mr. Günter Verheugen. Turkey's participation in Europe's enterprise will increase cooperation between EU and Turkish industries and promote joint ventures with the 27 EU member states. Turkey is ranked the 5th biggest export market and 7th import market in the EU. In 2006, 45% of Turkey's entire trade volume was with the EU, totaling 78 billion Euros. Turkey is attempting to increase competitiveness of SMEs in both the national and regional markets. The joint programme is seen as an opportunity to further such attempts. The CIP programme budget, which will run from 2007 to 2013, was set at 3.6 billion Euros.

EU Pleased with the Passing of Foundations Law

The European Commission praised Turkey for passing a foundation law which will strengthen property-rights of non-Muslim minorities. EU Enlargement Commissioner Olli Rehn said Turkey took a step forward but that the implementation will be the true test. According to the new bill, Christian and Jewish foundations, such as schools and churches, will receive properties that were earlier confiscated by the state. This bill, however, does not include assets sold to third parties. While 242 parliamentarians voted in favor of the bill, the President must approve it before it can be enacted.

European Commission Specifies Priorities for 2009

The Commission introduced its political priorities together with its Annual Policy Strategy for 2009. The five core priorities are: growth and jobs, climate change and a sustainable Europe, finalizing the common immigration policy, giving the citizen priority and making Europe a world partner. The Commission will look for approval for its initiatives from the Council. At the same time, it will push for debate on internal market, social agenda and budget reviews.

European Parliament Supports Lisbon Treaty

The majority of the European Parliament voted in favor of the Lisbon Treaty: 525 MEPs voted in favor, 115 voted against and 29 abstained. The Treaty is believed to make the EU more democratic, protect and improve citizens' rights and improve synergy within the 27 nation

block. While the ratification of the Treaty by all members is necessary, only Ireland was not present at the assembly as it will be the only member holding a vote on the Treaty in a referendum. Irish parliamentarians stated they do not wish to influence their voters and the referendum, which will take place this summer.

EU Split Over Kosovo's Independence

Following Kosovo's proclamation of independence the EU found itself split into two camps. The refusal of Spain, Cyprus, Romania and Greece to recognize Kosovo's sovereignty greatly influenced the EU stance. A day after the declaration, which took place on February 17, EU foreign ministers met in Brussels to note the self-proclaimed independence of Kosovo. The EU announced that each member state will decide according to their national practices whether to recognize the newly born state. While England, France, Italy and Germany were the first member states to recognize Kosovo other countries soon followed. Those who refuse to recognize Kosovo have their own minority issues to deal with. Southern Cyprus is worried Northern Cyprus would attempt to seek international recognition and follow Kosovo's example. With the aim of supporting Southern Cyprus, Greece refuses to recognize Kosovo's independence too.

Commission's new Proposal against Marine Pollution

The European Commission has launched a new proposal for a directive on marine pollution, which will replace the Framework Decision 2005/667/JHA to "strengthen the criminal-law framework for the enforcement of the law against ship-source pollution". The framework decision dated 2005 supports Directive 2005/35/EC regarding ship-caused pollution and penalties. However; neither the concerned directive nor the framework decision covers in detail "the illegal operational discharges of polluting substances" and big accidents causing oil spills. Whereas the directive defines the infringements, the framework decision encompasses provisions on the type and levels of criminal penalties. On October 23, 2007, the European Court of Justice annulled the framework decision and ruled that the provisions on the definition of criminal offences and the nature of sanctions shall be defined in a new directive based on the EC Treaty. In accordance with the judgment, the new proposal foresees a directive, which will amend the existing Directive 2005/35 and merge it with the related provisions of the Framework Decision. According to the new Directive the existing infringements will be taken as criminal offences and sanctioned by criminal penalties. The new directive proposal ensures that the companies will become 'liable for criminal offences committed for their benefit' and proportionally punished.

European Industry Summit

Corporate representatives from the 27 EU member states gathered in Brussels on February 21 and 22. The summit marked the 5th anniversary, as this year's theme was 'Greening the Economy: New energy for businesses'. Other than President Jose Manuel Barroso eight Commissionaires attended the summit to meet Europe's business leaders. Barroso referred to the climate and energy package, which was released in January and said he realizes that businesses have worries but said the commission aims to strengthen secure energy. He said, "We are moving towards a low-carbon economy, not a low growth economy." The Danish Professor Björn Lomborg laid out strong differences between the private sector and the European Commission. He railed against the Commission's climate package and cutting of emission gasses as he argued that the problem should be tackled in 50 to 100 years. Otherwise such extensive cuts in carbon dioxide emissions by 2020 would be very

expensive. He also pointed out that the package would cost more than the commission's anticipated 60 billion Euros. EU Environmental groups, on the other hand, urged it was essential to follow the package's targets.

Turkey Blocks France on 'Nabucco Project'

Turkey blocked the participation of the French company Gaz de France (GDF) on the Nabucco pipeline project, scheduled to be completed by 2013. This is a direct result of the motion by the French Parliament to outlaw the denial of the Armenian genocide. French trade minister Harve Novelli announced during a visit to Istanbul that Gaz de France had to withdraw from the project because the decisions of Turkey were influenced by political reasons. Novelli stated that the Armenian bill, passed from the parliament to the senate, was not on the government's agenda and that business and economic decisions should not be affected by political disagreements. Following Total, GDF is the second French company to have its bid blocked by Turkey, which is the key transit country for the project. The European Commission exempted last month the Austrian section of the Nabucco pipeline from regulated third party access. The exemption for Austria would allow for new infrastructure projects to establish capacity allocation and transport tariffs freely. Nonetheless, the Austrian energy regulator needs to include further safeguards to have a positive impact on competition.

European Commission Open to Alternatives on Energy Liberalization

The European Commission signaled it could accept an alternative proposal to liberalize the energy market. The proposal put forward by France and Germany calls for the allowance of big companies to hold ownership and limited control over transmission assets. However, the Commission announced that it does not favor the alternative, arguing it would not lead to effective separation of supply and production activities from network operators. The Commission proposed on September 19th the breakup of firms owning both the assets to produce and transmit power, arguing they should only focus on one of these.

European Commission Sets New Cosmetics Regulation

The European Commission raised a proposal to simplify the law on cosmetics. Twenty-seven national legislation pieces, which are represented in 3500 pages of legal text, will be reduced to a single European regulation. The Commission's proposal intends to strengthen product safety and reduce business costs. Requirements for cosmetic product safety and transparency would reduce administrative costs by 50%. Provisions on the ban of animal testing for cosmetics by 2009-2013 will remain in place.

New VAT Rules for EU

The Council of the European Union adopted new Value Added Tax (VAT) rules on services. The package incorporates a rule change on the place of supply of services to guarantee the taxation of services in the member state of consumption. According to the new VAT package, business to business services will be taxed where the customer is located. In regard to business to consumer services, for most services taxation will remain in force where the supplier is positioned. However, for restaurant services, transport, sporting, cultural, scientific and education services, telecommunications, broadcasting and electronic services taxation will depend on the consumers' location.

Agenda

4 March

- Conference on 'The new Civil Constitution and the Kurdish Question in Turkey' held by European Parliament. (3-4 March)
- EU Economy and Finance Ministers Meeting (ECOFIN)
- Group meetings in European Parliament (4-6 March)
- EU Political and Security Committee (PSC) (4-5 March)
- 2008 Growth and Jobs Summit', Brussels. www.lisboncouncil.net

5 March

- Seminar on "Integrating Conversations: The Impact of Migration and Intercultural Dialogue. www.interculturaldialogue2008.eu
- European Commission's Weekly Meeting
- COREPER II (5-6 March)

6 March

- EU TROIKA - USA
- The Governing Council of the European Central Bank, Frankfurt.
- Group and Committee Meetings in European Parliament
- NATO Foreign Ministers' Meeting (6-7 March)

7 March

- COREPER I

9 March

- Parliamentary elections in Spain
- Informal Diner of EU Trade Ministers

10 March

- European Parliament Plenary Session (10-13 March)
- EU General Affairs and External Relations Council (GAERC)
- EU Political and Security Committee (PSC) (10-11 March)

11 March

- European Commission holds its weekly meeting in Strasbourg
- Ministerial Conference on "the Challenges of the EU External Border Management", Slovenia. (11-12 March)

12 March

- COREPER I
- Celebration of the European Parliament's 50th Anniversary, Strasbourg.

13 March

- The Tripartite Social Summit
- EU Spring Summit (13-14 March)

17 March

- EU Agriculture and Fishery Ministers' Meeting (17-18 March)

18 March

- EU Political and Security Committee Meeting

19 March

- COREPER I
- COREPER II
- European Commission's Weekly Meeting

20-24 March

- EU Institutions are closed due to Eastern Holiday

25 March

- Committee Meetings in European Parliament

27 March

- The Governing Council of the European Central Bank in Frankfurt.
- Euro-Mediterranean Parliamentary Assembly will be held in Athens.

28 March

- COREPER I
- EU Political and Security Committee
- Informal Meeting of EU Foreign Ministers (Gymnich) will be held in Brdo, Slovenia. (28-29 March)

31 March

- EP committee meetings

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The information in this document was compiled from various EU information sources.