WEEK IN BRUSSELS

Week ending Friday 24 February

David Cameron calls for 'bold' action to kick-start European growth

British Prime Minister David Cameron and leaders of 11 other EU countries have called on the Union's institutions to stick to a liberal agenda for growth, bolder economic integration with the USA and deepening trade and investment relations with Russia, China and other strategic partners. Ahead of the 1-2 March EU Summit, the 12 leaders wrote to Council President Herman Van Rompuy and Commission President José Manuel Barroso, calling for leadership and delivering on results to avert a "perilous" time for Europe. The letter was signed by Cameron and the prime ministers of the Netherlands, Italy, Estonia, Latvia, Finland, Ireland, Czech Republic, Slovakia, Spain, Sweden and Poland. In the letter, the leaders highlight eight priorities to strengthen growth:

- Opening up the services sector, which accounts for four-fifths of Europe's economy;
- Creating a truly digital single market by 2015;
- Establishing a genuine internal market in energy, by fully implementing the Third Energy Package and enhancing energy interconnection;
- Establishing the European research area and putting innovation at the heart of EU's research and development strategy;
- Opening to global markets;
- Reducing the burden of EU regulation;
- Promoting well-functioning labour markets, by fostering labour mobility and reducing the number of regulated professions;
- Building robust financial services, by abandoning the practice of "implicit guarantees to always rescue banks".

The letter notes that in 2012, the EU is expected to conclude trade agreements with India, Canada, "countries of the Eastern neighbourhood" and a number of ASEAN partners. The 12 leaders also call for accelerating trade negotiations with Japan and the Mercosur bloc in Latin America, saying "deals that are currently on the table could add €90 billion to EU GDP". (Source: EurActiv)
http://static.euractiv.com/sites/all/euractiv/files/2012%20EU%20GROWTH%20LETTER.pdf

Britain, Sweden and Netherlands refuse to sign off EU accounts

EU finance ministers have rubberstamped the bloc's accounts for 2010, but Britain, Sweden and the Netherlands opposed the move, noting that auditors found too many errors. Their "no" vote is symbolic, since the accounts were approved by their colleagues by qualified majority. This is the seventeenth year in a row that the European Court of Auditors has found errors above the two percent threshold required for a clean bill of health, mostly in the way structural funds are used in infrastructure projects. After a gradual decline in recent years, the error rate in the 2010 budget increased to 3.7%, up from 3.2% the previous year, which is why the three countries decided to vote no instead of abstaining as they usually do. In a joint statement, the British, Dutch and Swedish finance ministers stated: "In these challenging times, member states should uphold the same high standards for the EU budget as they would for national budgets. We should remember that national taxpayers stand behind the EU budget, and that's why we are calling for important and urgent improvements to the quality of EU financial management". The statement also called on the EU commission to follow up on recommendations by auditors to simplify rules and improve the management of programmes, in view of the next common budget for 2014-2020, stating that improving the quality of EU spending should be given a high priority, in order to attain significantly better results in the annual reports on the EU budget. (Source: EUObserver)
http://euobserver.com/18/115331

Eurozone heading towards 'mild recession'

The European Commission's updated forecasts have shown that the eurozone is heading towards a "mild recession", and will contract by 0.3% in 2012. This is the second recession in just three years, and the Commission has warned that the currency area has yet to break its vicious cycle of debt. The Commission

forecasts that economic output in the 17 nations sharing the euro will contract 0.3% this year, reversing an earlier forecast of 0.5% growth in 2012. The wider, 27-nation EU, which generates one-fifth of global output, is forecast to not manage any growth this year. Greece will enter its fifth year of economic contraction and Spain and Italy, which saw their financing costs pushed up to near unaffordable levels last year, will shrink by around 1%. With the eurozone's sovereign debt crisis moving from a chronic to an acute phase, the EU's top economic official warned that there would be little clemency for heavily-indebted countries who must meet strict budget targets even as their economies stall. Adding to the difficulties, the downturn is widening the gap between the wealthy economies of northern Europe and those of the south that are most in need of growth to pay off debt. Germany and France, the eurozone's two largest economies, are likely to escape recession this year, growing 0.6% and 0.4% respectively. (Source: EurActiv)
http://www.euractiv.com/euro-finance/eu-enters-mild-recession-news-511070

Eurozone agrees €130bn bail-out for Greece

Eurozone finance ministers have approved a €130 billion international bail-out for Greece. After more than 13 hours of talks in Brussels, ministers approved the terms of the financial rescue that included an agreement that will see private lenders accept losses greater than previously envisaged. Ministers said that the bail-out programme was aimed at reducing Greek debt from its current level of 160% of gross domestic product (GDP) to 120.5% by 2020. The deal on private-sector losses was the subject of intense discussions between ministers and representatives of private banks who were holding their own parallel talks. The finance ministers' gathering was suspended several times for discussions with private bank representatives who came under renewed pressure to accept a ‘haircut' greater than the 50% agreed at the 26 October summit of leaders of eurozone member states. The new agreement places the haircut at 53.5%, equating to losses of about 75% on the net present value of the bonds. The money for the loans in this bail-out programme comes from the European Financial Stability Facility (EFSF) – the fund to which eurozone governments contribute – and the IMF. However, it has not yet been decided how great a contribution the IMF will make. Greece, which received €110bn from a first bail-out in May 2010, needs this additional money urgently in order to stave off bankruptcy on 20 March when it must repay €14.5bn of debt. The bail-out still needs to be ratified by national parliaments in Estonia, Finland, Germany, the Netherlands and Slovakia. Ministers also discussed raising the lending capacity of the eurozone's rescue funds – the EFSF and its permanent replacement from July 2012, the European Stability Mechanism (ESM). Leaders of eurozone member states will make a final decision on the overall capacity at their summit on 1-2 March. (Source: European Voice)
http://www.europeanvoice.com/article/2012/february/eurozone-finance-ministers-agree-130bn-bail-out-for-greece/73642.aspx

Week ahead

European Commission
No relevant activity

Council of Ministers
1-2 March - European Council
Ministers are expected to sign:

- The Fiscal Compact Treaty

Ministers are expected to discuss:

- The economic situation in Europe and the first phase of the European Semester
- The further deepening of fiscal integration within the Euro area as well as relations between the EU and Euro area

European Parliament (Meeting of Committees - Brussels)
ITRE – 27-28 February

- Joint Debate on the Horizon Package
- Energy Efficiency Directive

TRAN – 27-29 February

- Development of the Trans-European Transport Network
- Study on TEN-T Financing Instruments
- Recording Equipment in Road Transport

CULT – 29 February

- Modernising Europe’s Higher Education Systems
- Education, Training and Europe 2020

ENVI – 29 February

- Progress towards the achieving the Kyoto objectives
- State of play of negotiations and preparations leading up to the Rio+20 Summit

INTA – 29 February

- EU-Columbia and Peru Trade agreement
- EU and China: unbalanced trade?