

# EUOBSERVER

Magazine



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# euobserver

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Photo: EUobserver

# WELCOME to & The New Year to a new EUOBSERVER

We are taking two big leaps in 2015:  
Beyond Brussels and Premium Content.

By Lisbeth Kirk

## BEYOND BRUSSELS

The EU is more than just Brussels. You need to know what the EU institutions are doing. But you also need to know what it means in reality. This is why EUobserver is increasing its coverage of Europe beyond Brussels. Europeans should get to know each other better for democracy to work properly. We'll keep writing quality news and investigative reports from the EU capital. We'll keep offering our site as a venue for serious debate. But in 2015, EUobserver is expanding with a new team of correspondents who will file on-the-ground reports and analysis from the EU member states.

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Danish prime minister Helle Thorning-Schmidt (c) jokes with former EU council president Herman Van Rompuy (r) and former EU commission chief Jose Manuel Barroso. For a time she was in the running to succeed Van Rompuy.

Photo: The Council of the European Union



Uwe Corsepius (l), secretary-general of the European Council, speaking with Donald Tusk on the day, 30 August, the Polish PM was selected to become president of the EU Council. Tusk started the job on 1 December.

Photo: The Council of the European Union



German chancellor Angela Merkel shares some thoughts with EPP president Joseph Daul in July. The centre-right political family won the most seats in the European elections in May.

Photo: EPP



In January 2014 Russian president Vladimir Putin attended an EU-Russia summit - two months later he annexed Crimea. Putin is flanked by former EU Council chief Herman van Rompuy (l).

Photo: The Council of the European Union



Former EU foreign policy chief Catherine Ashton (l) shaking hands with Federica Mogherini at a summit in Brussels in March. Mogherini was still the Italian foreign minister at the time, but would succeed Ashton by the end of the year.

Photo: The Council of the European Union



# The year history came back to Europe

The latest war in Europe began on Friday 21 February 2014

By Andrew Rettman

**I**t began, without a shot being fired, when 16 armoured personnel carriers from Russia's 801st Marine Corps left their leased base in Crimea, Ukraine, and took up defensive positions in the nearby Ukrainian towns of Kaha, Gvardiiske, and Sevastopol.

The same day, in Kiev, Ukraine's pro-Russia president Viktor Yanukovich was preparing to flee his mansion.

His riot police had tried and failed, for months, to clear protesters from the city centre. Dozens were dead. The crowds, at times, had numbered more than 1 million people.

They waved EU flags because Yanukovich had rejected EU integration and its promise of prosperity and rule of law.

The officials in Brussels who drafted the EU-Ukraine free trade and political association treaty could hardly have imagined the role it would come to play.

The events which unfolded over the next 10 months redrew the European map and opened a new chapter in modern history: Vladimir Putin's Russia vs. the West.

## CRIMEA'S GREEN MEN

As Yanukovich fled, little green men - balaclava-clad Russian soldiers without insignia - fanned out to occupy public places in Crimean cities.

Russian agents provocateurs organised small pro-Russia protests in Crimea and in Donetsk and Luhansk in east Ukraine.

Russian media began to broadcast "news" that Ukrainian-speaking "fascists" were coming to kill Russian-speakers in the east after a US and EU-orchestrated "coup".

Putin himself took to the airwaves to promote two projects: Novorossiya and Russkiy Mir.

Unidentified snipers killed more than 100 protesters in Kiev in February, prompting Yanukovich's departure.



Photo: Christiaan Triebert

Novorossiya is a claim that east and south-east Ukraine belong to Russia for ancestral reasons no matter what international treaties say.

Russkiy Mir - meaning "Russian world" - is the claim that Russia is a unique civilisation destined for great things and that Russian forces can intervene to "protect" ethnic Russians who live in neighbouring countries. The conflict quickly escalated.

## HISTORY IS BACK

By the end of March, Putin changed the map by "annexing" Crimea - a term not heard in Europe since Nazi Germany annexed Austria in 1938.

By August, Russia-controlled and Russia-armed separatists in east Ukraine were fighting pitched battles with the Ukrainian army and Russia had cut off Ukraine's gas.

By December, Russian tanks and infantry were in south-east Ukraine. More than 4,000 Ukrainians were dead and more than 1 million had fled their homes. Almost 300 peo-

ple, most of them EU citizens, had also lost their lives when a stray rocket shot down a passenger plane.

Looking back, Poland's Donald Tusk said on 1 December, the day he took over as the new president of the EU Council: "Politics has returned to Europe. History is back."

## HYBRID WAR

Nato has called Russia's new form of warfare - a mix of covert military action, political subversion, economic coercion, and propaganda - "hybrid war".

It's a war designed to legitimise Putin's authoritarianism at home and restore Russia's influence in former Soviet states. It's also a war against Nato and the EU more directly.

Putin made wild comments that his troops could invade Warsaw, while his jets waged a campaign of harassment against Nato air and naval assets. But Russkiy Mir is a more credible threat of military action.

If little green men appear in Nato members Estonia or Latvia, it will test the Nato treaty's Article V on collective

▲ Putin spoke to Merkel more than 40 times by phone.

Photo: Council of the European Union



defence. If the US or Germany are unwilling to risk escalation by confronting Russia, it will be the end of the Western alliance.

#### NATIONAL FRONT LOANS

There is already political subversion. Kremlin-linked firms have channelled millions in loans to the National Front, a far-right anti-EU party in France, to help it contest 2017 elections.

Russia is also co-operating with anti-EU parties in Austria, Belgium, Bulgaria, Germany, Greece, Italy, Hungary, and Latvia.

There is economic coercion: Putin has used the lure of gas pipeline investments and the threat of gas cut-offs to split EU leaders. EU arms suppliers, oil companies, engineering firms, and banks lobby on his behalf to protect their Russia contracts.

There is also propaganda: Russian media, such as RT or Sputnik, broadcasting from EU capitals in several languages, tell the story of Ukrainian fascists, Western coups, and Europe's homosexual aberrations, while pro-Russia trolls police coverage of the crisis in European online publications.

#### MERKEL ON THE PHONE

For their part, Nato and EU leaders reacted step by step. Nato states rejected Ukraine's appeal for modern weapons and eastern European allies' call for new military bases.

But they agreed to fund Ukrainian military logistics, cyberwarfare, and command and control capabilities. They increased air-policing and drills in the Baltic region and will

launch a "spearhead" force by early 2015 to deter Crimea-type scenarios in the Baltic states.

The EU is injecting billions of euros and sending security instructors to help Ukraine's post-revolutionary state deliver reforms.

It tried a variety of diplomatic initiatives: trilateral trade talks and gas talks; "Normandy" ceasefire negotiations; "Minsk" and "Geneva" negotiations; informal summits; phone calls - Germany's Angela Merkel spoke to Putin more than 40 times.

It also crossed the rubicon by imposing sanctions - at first blacklists, then "targeted" economic measures against Russian banks and energy firms.

#### PIPELINES AND SANCTIONS

Putin's preparations began before the Ukraine crisis. He redoubled military spending in 2012.

He acquired a major economic and political asset in the EU when Germany in 2005 agreed to build the Nord Stream gas pipeline.

He started a crackdown on pro-European liberals and their ideas in Russia even earlier. The ideology of the Russkiy Mir also predates the new crisis.

Henryk Wlasczyk, a Polish aid worker who visited Gori University in Georgia shortly after the Russian invasion in 2008, found an EU flag which had been torn down, bayoneted, and shot by Russian soldiers.

"This symbol of the EU countries and of Georgian aspirations was an object of direct physical hatred," he said at the time. "EU countries should realise that this is being seen as a conflict between two empires."

Parts of the EU establishment - France, Italy, Hungary, and the Socialist party in Germany among others - are willing to cede ground in order to get back to pre-history, or, business as usual.

#### HOLY LAND

But as the year ends, it's becoming clear the conflict will last a long time.

Russia needs a land bridge to Crimea if its new province is to be economically sustainable. But Merkel said in November that if Putin attacks the Ukrainian city of Mariupol - the Crimea bridge - EU sanctions are "unavoidable".

The EU measures and low oil prices cost Russia \$140 billion in lost revenue in 2014 (6% of the state budget). Capital flight cost another \$100 billion and the rouble has plunged to all-time lows.

But Putin, in his state-of-the-nation speech on 4 December, didn't blink. He told Russian people to expect more economic hardship and described Crimea as Russia's "holy land".

Whether he intended to stop at Mariupol, or Kiev, or to go to Tallinn when the 16 armoured vehicles left their base in Crimea on 21 February is not known.

But if political and market forces cause a Russian economic crisis, it might make him even more unpredictable. ■

#### ◀ War damage in Donesk.

Photo: Reporteros Tercerainformacio



#### Russia-controlled Ukrainian separatists. ▲

Photo: Jeroen Akkermans RTL



#### ▲ Dutch grieve for victims of a passenger plane shot down by stray rocket over east Ukraine.

Photo: Roman Boed



#### ▲ Nato image shows Russian troops on the move in Ukraine.

Photo: nato.int



#### Pro-Russia protests spring up - here in Berlin. ▶

Photo: James Rea



## Dear Mr. Juncker, We need to talk...



As president of the European Free Alliance, I welcome you, Mr. Juncker, and the newly appointed Commissioners, to your new posts.

Europe faces strategic choices when it comes to defend democracy, and will have to build a new political logic that includes regions and stateless-nations as accountable entities [with own opinions, ambitions and decision power at the European level], advocating for their right to decide upon their own future.

The right to self-determination [as recently claimed and exercised by two European nations: Scotland and Catalonia] is universal, and the democratic and transparent expression of the political ambitions of all European stateless-nations should be seen as a normal exercise in a democratic Europe.

It's time for the EU institutions to acknowledge and respect the right to decide of the peoples of Europe and to tackle the issue of internal enlargement.

Mr. Juncker,  
**The European Free Alliance is ready to support, accompany and lead stateless-nations and regions to design together with the European institutions a new architecture for Europe: the Europe of the Peoples.**



François Alfonsi  
President of EFA



The European Free Alliance (EFA) is a European Political party recognized by the European Parliament (EP). EFA's political goals are the defense of the right to self-determination of peoples; the support of stateless nations, regions and minorities; the promotion and equality of European historic languages and cultures; and the strive for the Europe of the Peoples.

[www.e-f-a.org](http://www.e-f-a.org)

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# 2015

## IT'S THE ECONOMY, STILL

After a year of suspended action, the EU needs to show some results in 2015. But changing political landscapes in member states could prove a distraction.

*By Honor Mahony*



Pablo Iglesias (36) leads the Spanish anti-establishment movement Podemos (meaning 'We can'). It was founded by political scientists in early 2014, won its first EP seats in May and topped the polls by the end of the year.



The EU spent most of 2014 in a state of suspended action. There was the seemingly interminable run-up to the May EU elections - in which the EU commission all but stopped working. And then the equally drawn-out post-election phase as it went through its changing of the guard.

The process was finally completed in November. There are new faces in the European Parliament. A new team in the European Commission. A new chief in the European Council.

Now that the power reshuffle is over, the focus in 2015 will be on making good on those numerous promises to boost the EU economy and reduce unemployment.

The starting point is grim. The EU is projected to grow by just 1.5 percent; the eurozone by 1.1 percent.

Eleven of the 28 member states will have double-figure unemployment, topped off by Spain and Greece where a quarter of the workforce is without a job.

Deflation remains a persistent concern - the inflation rate in November 2014 dipped to 0.3 percent, far below the 2 percent target aimed at by the European Central Bank (ECB).

And the sluggish growth continues despite the eurozone bank throwing the toolkit at the problem, including charging banks for depositing money with it and launching a programme to monetise assets held by national lenders - actions meant to spur them to lend money to the real economy.

ECB chief Mario Draghi has hinted several times at quantitative easing - large scale buying of government bonds. But this is strongly opposed by Germany which fears the mutualisation of debt.

Nevertheless, Germany's own economy is also suffering, its exports have been hit by weak eurozone demand, a slowdown in China, and the crisis in Ukraine. In early December, KfW Research, an economic research centre, slashed its 2015 growth forecast for the EU's biggest economy from 1.5 percent to 0.8 percent.

The European Commission predicts a scarcely better 1.1 percent. The outlook for France and Italy, the second and

third largest eurozone economies, is equally grisly (0.7% and 0.6%, respectively).

Meanwhile, a potentially very messy fight is brewing over Italy and - especially - France's budget plans.

In late November the commission chose not to punish either capital for breaching the rules underpinning the euro (Paris for its budget deficit, Italy for its public debt).

It has set a spring deadline by which France and Italy must deliver on promises to make wide-ranging reforms. France is seen as the greater problem, having twice been given leeway on its budget deficit.

Germany is pushing behind the scenes to make sure Paris doesn't escape punishment if nothing has changed by March. However, the politics of punishing a struggling economy with, ultimately, a fine is difficult.

#### THE JUNCKER PLAN

The economic situation, particularly in southern Europe, has led mainstream politicians to fear that people, if they don't already, will start to blame the EU for their woes.

With the ECB's hands effectively tied by Germany, the EU is now pinning its hopes on a €315 billion investment plan, unveiled a few weeks after the commission came to office.

It is meant to start putting right many factors contributing to the continued economic troubles, including the fact investors aren't taking risks, particularly in periphery states (overall, investments in the EU have dropped by 20 percent since a peak in 2007). But there are already serious questions about whether the fund will deliver.

Instead of the fiscal stimulus apparently promised when it was first mooted, the fund eventually ended up with no new money - just a guarantee of €16 billion from the EU budget and €5 billion from the European Investment Bank (EIB). A big promise of leverage: €1 is to deliver €15.

Eleven of the 28 member states have double-figure unemployment, topped off by Spain and Greece where a quarter of the workforce is without a job.

Photo: Dennis Jarvis



▲ Vice-President Jyrki Katainen (l) in charge of investment alongside Pierre Moscovici, economic affairs commissioner. The economic figures for the EU are not encouraging.

Photo: European Commission

It shares many similarities with the largely unsuccessful "Growth Pact" announced in 2012. And relies on the EIB - mindful of its triple-A rating - shedding its cautious nature to back riskier but potentially higher-return projects.

While economic woes will continue to dominate in 2015, the EU's uncertain political landscape will also form an important backdrop.

Greece could return to the spotlight if it holds snap elections in early 2015. Far-left party Syriza, polling top in late autumn, is pushing for an early vote.

The party's sharp rise in popularity in recent years already had repercussions on Athens' talks with the country's international lenders in November. The governing New Democracy, anxious to stave off a poll, fell out with its creditors by refusing their demands for higher taxes and income cuts in the 2015 budget.

Syriza, for its part, remains an unpredictable entity both for Greeks (who aren't sure what its economic programme will mean in practice) and for the country's lenders. The party has said it will rip up the bailout programme and its austerity measures.

Another country witnessing the meteoric rise of a far-left party is Spain, which is due to hold general elections by the end of 2015. Podemos (meaning "We can") was founded by political scientists in early 2014, won its first EP seats a few months later and was topping the polls by the end of the year.

A victory would inject political uncertainty into Spain's traditional party system, dominated for the past four decades by the centre-right and centre-left. Podemos' manifesto includes lowering the retirement age to 60 and a 35-hour working week.

Forming the larger backdrop to EU politics, public opinion remains unfriendly to Brussels.

#### PERCEPTION PROBLEM

The latest survey showed that around a quarter of citizens have a "very negative" view of the EU while 52 percent feel that their voice doesn't count.

Such views are not helped by the fact that politicians have still not worked out how to fix the democracy gap that



Photo: Asteris Masouras

▲ Alexis Tsipras (40) leads the Greek anti-establishment party Syriza. Greece could return to the spotlight if it holds snap elections in early 2015 with Syriza polling top and pushing for an early vote.

emerged by having the European Commission decide on member states' spending priorities - essentially taking away the bread-and-butter power of national parliaments.

With Brussels perceived as laying down the law on national pension reforms or spending on health and education - powers it acquired in the financial crisis - the potential for resentment is high.

Just before he took up his post, European Commission president Jean-Claude Juncker, said his would be a "last chance" commission that needs to "win back the citizens of Europe ... or fail". The coming year is not the "last chance" year, but it is time for the EU to start delivering some good news. ■







# THE EU SEMESTER ALLIANCE, A KEY VOICE TO HEAR AND FOLLOW

**I**n recent years, it has been increasingly difficult for civil-society stakeholders to participate in decision-making processes and get their voice heard both at national and EU levels despite the enormous impact that the crisis-driven austerity policies have had on millions of people living in Europe.

EU austerity measures attacked social and environmental rights, increasing inequalities, poverty and social exclusion and undermining progress on climate change and environmental sustainability. When the new Strategy of the European Union for 2010-2020 - the Europe 2020 Strategy - started in 2010, governing bodies, both at EU and national levels, had already lost a great part of legitimacy towards their representatives and their trust. The new Europe 2020 Strategy seemed to offer potential for hope by breaking new ground establishing **five concrete targets** for delivering on **smart, social and sustainable growth by 2020**. The targets were set to reduce **poverty** by at least 20 million by 2020, achieve a 75% **employment** rate for women and men, reduce **early school leaving** to 10%, reduce **greenhouse gas emissions by 20 per cent** and increase **energy efficiency** to 20%.

However, the result of the mid-term review of the Strategy was sobering showing that the progress made on all the targets had been extremely limited. The numbers of people in poverty had risen to 124 million while the employment rate had declined to 68,4 per cent. Early school leaving has been reduced to 12,7 but showing a shortfall of 2,7 per cent. Greenhouse gas emissions were reduced by 18 per cent in 2012, but projections show that 13 Member States will not reach their national greenhouse targets by 2020.



## Civil-society stakeholders join forces to keep their space and voice in decision-making

The main instrument to deliver these targets is through the 'European Semester', the annual mainly economic coordination cycle with Member States. Stakeholders including civil society and social organizations are supposed to be key partners in the delivery – but in reality this is not happening.

In this context of eroding participation and lack of progress of the European Strategy on environmental, social and equality goals, 15 major European civil-society organisations and trade unions, got together with a common belief: to ensure an inclusive and sustainable recovery and a viable vision for the future of the EU, and to restore democratic legitimacy and credibility. They called together for Europe 2020 to be placed at the heart of the Semester process to get progress on the targets, based on a rights-based approach and through real dialogue with civil society.

Building on an initial adhoc alliance developed in 2012, 15 civil society and trade union stakeholders created the cross-sectoral *EU Alliance for a democratic, social and sustainable European Semester or (EU Semester Alliance)*, gaining support from the European Commission under a specific call.

The common aim was to defend and strengthen civil-dialogue engagement in the European Semester at national and EU levels in order to support progress towards a more democratic, social and sustainable Europe 2020 Strategy. The EU Semester Alliance main activities in 2015 have included joint assessments of the Semester and alternative proposals for country-specific recommendations, as well as input to the Mid-Term Review of Europe 2020; capacity building and awareness-raising based on training and a common tool kit, translated in 7 languages and key advocacy events. A key added value of the EU Semester Alliance has been the creation of 3 national Semester Alliance pilots in Bulgaria, Denmark and Ireland, which gathered together civil-society and trade union stakeholders from a wide range of sectors, working at national level to engage in Europe 2020 in the Semester Process, with very positive results

## Hearing in the European Parliament Giving a Voice to Civil Society proposals for Europe 2020 gets wide support

On the 3rd December, the EU Semester Alliance held its 2nd hearing in the European Parliament to highlight the missing voice of civil society in the debate on the revision of the Europe 2020 Strategy, and the urgent need to include them as key partners in the EU governance process known as the European Semester, at national and EU levels.

The hearing, hosted by MEPs Jean Lambert (Greens/EFA) and Marian Harkin (ALDE), together with the Alliance, gathered a wide range of actors including Member States representatives, MEPs, NGOs, Trade Unions and European Commission representatives. The Alliance presented its assessment of the Semester and key messages from the EU and national alliances. Six MEPs from 6 political groups (S+D, EPP, GUE, ALDE, EFDD, Greens/EFA) all supported the EU Semester Alliance's positions both on civil society engagement and progress towards the social and sustainable agenda. The European Commission also highlighted the importance of the Alliance's work and their concern to get greater ownership of the European Semester by encouraging engagement of civil society and other stakeholders. It underlined its support to continued dialogue of the EU Semester Alliance.

*"The EU Semester Alliance is still a young project, but our members are strong. It is our aim to build a more social Europe where people's concerns are at the heart of policy-making. It is the voices and experiences of people who feel that impact of policies that we can bring to the decision-making processes. Decision-makers will need to listen to us. After all, that is democracy".* Barbara Helfferich, Chair of the European Semester Alliance.

**For more information** on the Alliance, its activities and publications, its members and on the European Semester, see the Alliance website <http://semesteralliance.net/>

**ENABLING CIVIL-SOCIETY TO PARTICIPATE IN THE SHAPING OF EU POLICIES AND TO CONTRIBUTE TO PROGRESS ON THE TARGETS OF THE EUROPE 2020 STRATEGY CONCERNS US ALL!**





◀ Klaus Iohannis is also the first Romanian president to come from an ethnic and religious minority: he is a German-speaking Lutheran.

*Photo: Klaus Iohannis*

of Sibiu, who managed to revamp his town without the corruption usually associated with Romanian politics.

Iohannis is also the first Romanian president to come from an ethnic and religious minority: he is a German-speaking Lutheran.

#### HUNGARY

In Hungary, street protests have become the only efficient form of opposition against the government of Viktor Orban, who enjoys a super-majority in the parliament.

In October, Orban was forced to scrap a controversial tax on internet traffic following massive street rallies and warnings from the EU commission about the move.

It represented a major victory for street activism against the increasingly authoritarian rule of Orban, whose actions include raiding the offices of NGOs, have drawn the attention of the US government. President Barack Obama mentioned Hungary in the same breath as Egypt and Russia when it came to intimidating NGOs.

Washington also banned six Hungarian government officials from entering the US on corruption grounds, a first for an EU member state.

#### PUTIN'S PAWNS

Protests continued in November with over 10,000 people showing up in Budapest on a "day of public outrage" against Orban and his Russia-friendly politics.

Orban gave a speech in summer declaring the end of liberal democracy and indicating Russia and China should be examples to follow. The Hungarian leader also signed an agreement with Russia for the extension of a nuclear power plant and was a supporter of the gas pipeline project South Stream, whose construction is currently suspended.

Public dissent over a pro-Russia course was also the trigger for protests in the Czech Republic, where people were outraged by the statements made by their president, Milos Zeman.

Zeman had described the conflict in Ukraine as "a civil

An apartment block in Bulgaria - the Black Sea country is the poorest in the EU.

*Photo: Dimnikolov*

## DEMOCRACY PROTESTS

# Make Headway

Pro-democracy protests made some headway in central and eastern Europe, with flawed laws repelled and an underdog candidate winning the Romanian presidential elections.

*By Valentina Pop*

**STREET PROTESTS ARE NO NOVELTY** in central and eastern Europe. They were part of the Cold War, brutally repressed in some countries, heralding democracy in others.

In the post-Communist era, democracy is still being fought for in the streets, banner by banner, chant by chant.

In 2014, thousands of disenchanted voters, students and activists took to the streets again in Budapest, Prague, Bucharest, Sofia and Bratislava. The causes varied, but some of the frustrations were similar: corrupt politicians, vested interests eroding democracy, a gagged press, dubious energy deals, be it with Russia or US oil companies.

In some of the countries, protests paid off this year.

#### ROMANIA

In Romania, thousands of people in Bucharest and other major cities went out to the streets to show solidarity with voters abroad who had to wait for hours in endless queues only to be denied their right to vote in the presidential elections.

In Paris and Turin, local police even fired tear gas at voters who were angry at not being able to vote and who refused to go home.

This image, along with anger against the incumbent prime minister, Victor Ponta, who sought to become president, mobilised voters back home. It helped lead to the victory of the underdog, Klaus Iohannis, a no-nonsense mayor





war between two groups of Ukrainian citizens,” denying any Russian involvement and calling for a roll-back of EU sanctions against Moscow.

At an event marking the fall of the Berlin Wall, protesters pelted him with eggs, called for his resignation and said “we don’t want to be a Russian colony.” Putin will visit Prague for a Holocaust memorial in January.

#### BACK TO SQUARE ONE

In echoes of Romania, Slovak prime minister Robert Fico lost the presidency of the country in March in a surprising win by philanthropist Andrej Kiska.

Fico, who dominated Slovak politics for the past decade, stayed on as prime minister but saw thousands of people protest in Bratislava against a government corruption scandal. If protests continue, they may lead to early parliamentary elections next year.

But chances are slim for Slovak opposition parties to win the elections and form a stable government.

There is the same lack of alternatives in Bulgaria, where protests in 2013 led to the resignation of prime minister Bojko Borisov.

A transition government was then formed by Socialist leader Plamen Oresharski, only to be met with more popular dissent. Early elections held in October 2014 were won

by the centre-right and Bulgaria returned to the same prime minister it ousted one year earlier: Borisov.

A former bodyguard and police chief, Borisov seems to have learned that street protests are a force to be reckoned with. In November, he backed down from a contract with US oil company Chevron after thousands marched against the prospect of shale gas exploitation in the country.

But it is unlikely that he will be able to fix the more pressing sources of dissent: corruption and a faltering economy. Bulgaria is the EU’s poorest country.

While democracy remains under threat in some eastern European states, the Romanian and Hungarian protests showed the region that people who stand up for their rights can make a difference. ■

Anti-Orban protests have taken place in Hungary but also beyond its borders, including in Berlin



Photo: Frank Kopperschläger

# ETTIS

European security trends and threats in society



## Fostering effective challenge-oriented research and innovation to support societal security under Horizon 2020

European Security Trends and Threats in Society (ETTIS) was a three year FP7 research project concluding in December 2014.

Its aim to: identify and assess opportunities for enhancing societal security; improve the awareness of policy makers and researchers in the shape of future research programmes; and to help researchers structure their R&I activities in diverse fields.

The project identifies barriers to the uptake of results from previous security research projects and suggests how to overcome these. Today, as to national R&I agendas, the elephant in the room is the sheer range of new security concerns.

Human security, environment, cyber, food, water, critical infrastructure,

energy, health – these are just some of the factors in need of new security policies.

As a result, this expanded scope of the modern security requires new R&I models, not replicating the traditional industrial-innovation process.

ETTIS has produced a taxonomy of such models; each designed to address a different selection of societal security problems based on underlying factors.

However, this is not enough. Member States need to adopt governance frameworks for ETTIS has supported a paradigm shift in EU research moving away from traditional specific goal-oriented research to wider challenge-oriented research. their R&I agendas to diversify the innovation path applied to societal

security. ETTIS suggests 10 guiding principles for R&I programming and priority-setting in security as an aid to policy makers.

The [www.ettis-project.eu](http://www.ettis-project.eu) is the public interface where to find valuable resources to address societal security R&I.

Creating secure societies is one of the Horizon 2020 gauntlets thrown down by the EU Commission.

The output from ETTIS speaks directly to this challenge by establishing R&I tools and procedures to support decision makers and security end-users in their R&I efforts, regardless of how broadly security is interpreted today or in the future.







The next EU elections will be held in 2019 - political groups are likely to put more time, energy and money into choosing and promoting their commission president candidates ahead of the ballot.

*Photo: EUobserver*

# The Spitzenkandidaten Coup

The year 2014 shall go down as the moment the European Parliament snatched away the right to nominate a European Commission president from national governments.

*By Honor Mahony*

**F**or followers of European politics, 2014 marked the sliding of “spitzenkandidat” into the general lexicon. Translated literally from German, its apparently innocuous meaning is “top candidate.” But it came to symbolise a major power dispute between the European Parliament and member states.

It was a battle that national governments woke up to too late and then lost. The drawn-out power struggle saw the term adopted wholesale into English-language reporting from Brussels. Two men - two Germans, as it happens - were chiefly responsible for it getting to the battle stage in the first place. One was Klaus Welle, secretary general of the European Parliament. The other was Martin Schulz, the president of the European Parliament. Both worked to stretch to the widest limit the key - and, crucially, loose - wording in the EU treaty on choosing the next European Commission president.

The new rules - saying the commission president should be chosen “taking into account” the European election results - were to be applied for the first time in the May EU elections.

But while member states read the article and assumed a happy continuation of the practice of yesteryear - a behind-closed-doors





▲ Jean-Claude Juncker (l), Martin Schulz (c) and Guy Verhofstadt (r) took part in several presidential debates - although the wider public remained blissfully unaware  
Photo: European Parliament

▲ The Spitzenkandidat process was largely a result of the work of Klaus Welle (l) and Martin Schulz (r). Their project came to fruition in July when EU leaders nominated Jean-Claude Juncker to be European Commission president  
Photo: European Parliament

huddle of EU leaders to pick a president who ruffled the fewest feathers - the parliament had very different ideas.

Embarrassed by the ever-dwindling turnout for the EU vote, several MEPs wanted to make citizens feel something was at stake when they cast their vote - that it had palpable political consequences.

This is where Martin Schulz came to the fore. He got himself nominated as the Socialists' front man and set about presenting himself as a candidate for the commission president. The Liberals, the Greens and far-left followed suit with their own nominees. Pushing behind the scenes was Welle who was fond of remarking that national governments rarely knew what they had signed up to in the EU treaties.

#### RELUCTANT MERKEL

While all this was going on the largest party in the parliament, the centre-right EPP, was lagging behind. The reason: German chancellor Angela Merkel. She was against the idea but, crucially, had also missed its growing dynamic. Her dismissive references to the Spitzenkandidat process

only made MEPs more determined, which meant that in early 2014 the EPP found itself taking part in the nomination game too.

Half-heartedly and never actually expecting him to get the job, the centre-right faction chose veteran EU politician Jean-Claude Juncker, a former Luxembourg prime minister, to be its forerunner.

After that, Schulz along with the Liberal nominee Guy Verhofstadt, set about creating a fact on the ground. They became "commission president candidates" and started travelling around and presenting themselves as such. Juncker, who reportedly didn't actually want the commission presidency but rather the less demanding EU council presidency, suddenly started to act the part too. Before long they were taking part in TV debates - though the vast majority of the EU public remained blissfully unaware.

With each event and public presentation they were cementing the idea of a presidential candidate. Several member states remained resolutely sceptical however, seeing themselves just as democratically entitled to take the decision on the commission president as the parliament.

#### SHOCK VOTE

It is in that unclear situation that the EU went to elections in May 2014. In the event the result of the vote turned out to be a shock for everyone.

The centre-right EPP got the most seats, though much reduced when compared to 2009. The Socialists did better but still remained in second place. The Greens and the Liberals were pushed into fourth and sixth place among the seven political groups (down from third and fourth respec-

tively). Meanwhile, anti-establishment parties on the far-left and the far-right made major gains.

Again the parliament was faster off the mark than member states. With the electoral dust barely settled, it came out in support of Juncker and said member states must nominate him to be commission president.

They said making Juncker president would be a reflection of the people's will. Juncker, clearly fatigued after his campaign, was wheeled out to do victory speeches.

#### A CONSTITUTIONAL COUP

National governments - who hitherto had always nominated the commission president - pushed back, but suddenly found themselves on the wrong side of the argument. This was particularly so for David Cameron, British PM, who conducted a vociferous anti-Juncker campaign but was left isolated when Merkel, his erstwhile ally on the issue, abandoned the fight.

One month after the EU elections, and by now thoroughly backed into a corner, EU leaders endorsed Juncker as president. Some three weeks later, MEPs approved him too. Thus the parliament very neatly engineered its constitutional coup.

What's more, it managed it with smoke and mirrors. Turn-out for the 2014 European election - despite the Spitzenkandidat process - was still the lowest ever since direct elections began.

And the people-voting-the-commission-president idea made little impression even in those countries considered most attuned to it: Germany's Bild newspaper found that only 7 percent of voters could identify Juncker - a

German-speaker who had debated on national TV - as the centre-right's lead candidate.

#### MASTER HAND

A lot of political weight is riding on Juncker as the first to emerge from the new system. His presidency got off to a shaky start due to revelations about the extent of tax avoidance policies undertaken when he was prime minister of Luxembourg - schemes that the European Commission is now investigating.

But assuming Juncker weathers the tax storm - the next commission president election, in 2019, will certainly follow the same process only much more professionally.

There will be more campaigning, earlier, and with a lot more money. And, much more care will be taken about who is nominated.

It is highly debatable to say that the Spitzenkandidat made the EU elections more democratic - it is perhaps fairer to say that it opened the door to making them more so in the future.

One thing is certain though - the European Parliament played a master hand in 2014. ■



# Birth of the Juncker commission

Reasons for delay abounded: not enough women, an east-west row over the next foreign affairs chief and a Slovenian mini-drama. Still, the Juncker commission took office, as planned, on 1 November.

By Valentina Pop

Jean-Claude Juncker's commission had a difficult birth. For several weeks over summer it was unclear whether it would be up and running by the 1 November deadline.

A summit in July ended with EU leaders unable to decide on two top posts, amid an east-west row over Italy's proposal to let its foreign minister, Federica Mogherini, represent the EU as foreign affairs chief.

Eastern member states feared she was too Russia-friendly. Others still argued she did not have enough experience.

In the end Mogherini was appointed to the post by EU leaders at the end of August. Easterners' concerns were mollified by the fact that a Polish prime minister take up the second post on offer – President of the European Council.

The top-posts debacle was linked to the forming of the commission because Mogherini would also become Italy's commissioner.

A novelty in the EU institutional set-up and only the second time to be tested, the foreign policy chief is also a member of the 28-strong college of commissioners, where each country has one representative.

## VICE-PRESIDENTS

The delay in appointing Mogherini stalled the forming of the commission as many EU governments were reluctant to make a clear nomination until the foreign policy position had been tied down.

In an interview with EUobserver early August, Juncker's chief of staff Martin Selmayr spoke of “dozens” of models for the commission, as some countries were considering several names with different portfolios.

And with several countries opting to send former prime ministers, finance or foreign ministers as their future commissioners, it was also a challenge to give everyone an important-enough portfolio.

What Selmayr and Juncker came up with was a new system of seven “vice-presidents” who would serve as Juncker's deputies and as “team leaders” co-ordinating the work of several commissioners within broader policy areas – including the economy, as well as digital and energy issues.

## JUNCKER'S RIGHT HAND MAN

But out of the negotiations with the European Parliament it emerged that Juncker's “right hand” man, former Dutch foreign minister Frans Timmermans, would have an impossibly large task. He is to oversee everything from the Charter of Fundamental Rights to cutting red tape, to sustainable development through to aspects of the ongoing EU-US free trade negotiations.

Meanwhile other ‘regular’ commissioners, notably Germany's Guenther Oettinger in charge of the digital single market questioned the authority of the vice-presidents and indicated he would not be taking orders from anyone.

According to the EU treaty, commissioners are all equals – at least when it comes to voting in the College. But the new model would see the seven vice-presidents “filter” legislative proposals before they even get to a vote.

While that is the thinking behind the model, much will depend on the personality of each commissioner. Forceful personalities who are clever at internal politics will likely be able to better make the case for legislation to be tabled.

Timmermans will act as the ultimate decision-maker on any new laws as his brief is to rid the EU of unnecessary regulation.



Jean-Claude Juncker, a former Luxembourg PM, was nominated by EU leaders after his centre-right party won the most votes in the European Parliament elections.

Photo: European Commission



Photo: European Parliament



MEPs voted in the Juncker commission on 24 October after a mini-drama over the Slovene commissioner and a struggle to get nine women commissioners.



Alenka Bratusek -the former Slovene PM was the only one to fall through the EP hearings of commissioner-nominees.

Photo: European Parliament



## THE GENDER BALANCE

Another issue that risked delaying the Juncker commission was gender balance. As of early August, only four countries had put forward female candidates for the EU commission. This was despite a warning from MEPs that they would veto any commission with fewer women than the outgoing Barroso team, which had nine.

In the end, the count rose to nine when Belgium and Romania, the last countries to make their official announcements, opted for female candidates - Marianne Thyssen and Corina Cretu, both MEPs. But only after Juncker forced capitals' hands by indicating that woman nominees had a higher chance of getting strong portfolios.

Once the names list was clear, Juncker took his time to carve up the portfolios and vice-presidential posts, with the Brussels bubble set abuzz by the numerous organigrammes (with varying degrees of plausibility) that were leaked.

## HEARINGS

When the final layout was decided, the candidates went through long (and mostly turgid) hearings in the European Parliament.

From the outset, at least four names were in for a tough ride in the hearings: Spain's Miguel Arias Canete, due to his oil-industry interests that would have clashed with his "energy and climate change" portfolio, Hungary's Tibor Navracsics, who would be in charge of "culture, education and citizenship" after having been a justice minister who co-authored restrictions on media.

France's former finance minister Pierre Moscovici, nominated for the main economics portfolio, was in for a rough hearing from fiscal hawks who doubted his commitment to the EU deficit and debt rules he failed to observe during his time as minister. Britain's Jonathan Hill, to oversee financial services reform, was also going to get tough questions given Britain's reluctance to adhere to Brussels regulations that touch the City of London.

Hill became the only one to have to go through a second hearing while Canete's financial interests were given some extra scrutiny.

In the end they all passed the EP's gauntlet, bar one.

## THE BRATUSEK SAGA

From the outset it was clear that MEPs were going to claim at least one scalp in the process – a matter of power politics as much as the competence of any would-be commissioner.

That honour fell to Slovene ex-PM Alenka Bratusek. She was poorly prepared (though not exceptionally so), came from a small political family (the liberals) and was not supported back home.

It didn't help that she appointed herself - while a caretaker PM - on the list of three names sent to Juncker in July. An anti-corruption commission in Ljubljana said she had breached normal procedure. But she ignored its letter, failing to pick it from the post office.

MEPs rejected her and asked Juncker to ask Ljubljana for a different name. Juncker stood by Bratusek for another day, not wanting to explicitly ditch her himself. In the end she withdrew.

The Slovenian government then sent Violeta Bulc, a political novice and businesswoman who had trained as a shaman and fire-walker, applying New Age theories to her business environment. Bulc sailed through the hearing, as MEPs were no longer keen on blood and as her portfolio had been downgraded from vice-president for "energy union" to a simple commissioner for transport.

With the Slovenian mini-drama behind it, the European Parliament voted on the entire Juncker commission on 24 October and allowed it to take office as planned, on 1 November. ■

Frans Timmermans - the polyglot Dutch man is to be Juncker's right hand in charge of, amongst other things, making sure the EU does not over-regulate.



Photo: Council of the European Union

▲ Catherine Ashton and Herman Rompuy shortly after they were nominated for the top EU posts. Unknown when they took up their posts, they had left barely a trace on the public consciousness when they left five years later.

# Yesterday's VIPs

Jose Manuel Barroso, Catherine Ashton and Herman Van Rompuy bowed out of their jobs leaving small legacies.

By Honor Mahony

In late autumn, Jose Manuel Barroso, Catherine Ashton, and Herman Van Rompuy left their posts. They were respectively, the head of the European Commission, the EU foreign policy chief, and the President of the European Council.

They exited in an unspectacular manner – reflecting their time in office that left barely a trace in the public consciousness.

Barroso said the longest goodbye, in several guises, for a and forms. Ashton, who officially finished her job the same end-of-October day, let the day pass unremarked. But she lingered on in a semi-official capacity to continue international talks on Iran's nuclear programme.

Herman Van Rompuy left his post - and politics completely - a month later. He departed in the style that he conducted his presidency: quietly and diffidently.

It was a limp conclusion to their five-year terms (Barroso's second such).

## BARROSO - THE PRAGMATIST

This was a reflection of two things. The first was a yearning for new faces after a period of crisis. The EU had emerged from an existential threat – exposing flaws in leadership, policy-making and eurozone architecture – as a fragile but still-standing entity.

New people were needed to complete the feeling of putting the crisis to bed.

The other reason was the trio of politicians themselves. They were in various ways meant to represent the EU. But they never broke beyond the crises that shaped their tenures.

Barroso, a pragmatist with a knack for bending with the prevailing wind, gained a second term in 2009 largely by default.

That same year EU leaders deflated buzz about who would be the "first ever" EU foreign policy chief and "first ever" permanent president of the EU by choosing two unknowns for the jobs.

## THE TRIO

Van Rompuy, a Belgian prime minister, had little international experience. Ashton, the then EU trade commissioner had no track record in foreign policy.



Photo: Roel Wijnants



By early 2010 the trio had wobbled into being. They had to find a *modus vivendi*. Ashton and Van Rompuy were able to mould the jobs as they wanted. This was a gift, but in some ways a poisoned one. It meant they had to start from scratch, building up a profile, a style, a message, international gravitas.

Meanwhile, across the road, in the commission headquarters Barroso was jealously hanging on to the trappings of power.

There were tussles over money, offices and who should be the face of the EU. The upshot was that the Van Rompuy and Barroso duo were a feature at all international summits. One EU-US event, with a bored looking US president listening to first one and then the other read out overly long statements, spoke volumes about the EU.

#### DEFINING CRISES

But politicians are defined by crises, or how they handle them. As they came to office, the eurozone was just beginning its darkest phase, prompted by revelations that Greece's economy was in far worse shape than had previously been admitted.

The crisis, which also drew Ireland and Portugal into full bailouts, exposed the extent to which Germany called the shots in the EU.

Policy responses were thought out in Berlin and then re-packaged and sold by an emollient Van Rompuy.

The Belgian's job was to become a serial organiser of crisis summits, as EU leaders made policy on the hoof.

#### AUSTERITY POLICY

Barroso, for his part, was relegated to drawing up legislation that EU leaders, again Germany and like-minded countries, deemed necessary. This amounted to a huge leap in powers over national budgets – particularly in the eurozone, by the commission.

Meanwhile, his institution was becoming linked with an unquestioning policy of austerity. It was a reputation it never shook off under his tenure. Nor the charge that it was a stumbling and reactive policy-maker.

As the eurocrisis started to abate another was soon testing the trio's mettle.

#### SMALL LEGACIES

Russia annexed Crimea in early 2014 and fomented an internal conflict in east Ukraine. But it was German chancellor Angela Merkel who worked the phone to Russian president Vladimir Putin.



Van Rompuy, whose job was also to represent the EU externally, remained in the background. A visit to Moscow was mooted at one stage but then, just as quickly, the idea died.

At the minister level, Catherine Ashton was eclipsed. At the height of the Maidan democracy protest in autumn 2013, when a violent mass crackdown appeared imminent, Polish, French and German foreign ministers did the shuttle diplomacy.

For much of the EU's greatest foreign policy challenge in its history, neither Van Rompuy or Ashton were to be seen. Barroso, on the other hand, spent much of it trying to be seen, triumphantly announcing a Ukraine-Russia deal on gas just before he left office.

They bowed out of their jobs leaving small legacies – minimalist interpretations of the role of foreign policy chief and EU council president and a European Commission seen as weakened and massively out of touch with public opinion.

#### NEW FACES

Fresh faces started in late autumn.

Former Polish leader Donald Tusk took over from Van Rompuy, while Federica Mogherini, Italy's foreign minister, took over from Ashton. Barroso was replaced by Jean-

Claude Juncker, a Luxembourg politician and veteran of the EU scene.

All three brought a different flavour to the posts. They appear more self-confident and are better communicators. Such things matter.

Mogherini, though hardly a political veteran, had years of technical foreign policy experience. She intends to head up a team of EU commissioners dealing with external relations – this should ease the tension of previous years.

Tusk, by virtue of being Polish, already had one foot in the door when it comes to questions on Russia. He lost no time demonstrating that he will not be as diffident as Van Rompuy, noting in an interview as he took up the post, that Russia is "our strategic problem" and making the first official phone call of his post to the White House.

Both have the advantage over their predecessors of coming to now-established jobs.

#### THE UNION'S INTERIOR

Juncker, meanwhile, has indicated that he will dispense with Barroso's almost manic (and distracting) travel schedule and keep event participation at a minimum.

Donald Tusk (l) is likely to be more assertive than his predecessor. Just before he took up the job, he called Russia the EU's "strategic problem".

*Photo: Council of the European Union*

He immediately set about implementing eye-catching reforms, such as making the EU commission more transparent and making it more political. There are to be fewer laws coming from Brussels. And those that do come are to be thoroughly vetted before seeing the light of day.

With Juncker focusing on the Union's interior, this gives Tusk more room to focus on its external representation.

EU member states will continue to have the last say over foreign policy and issues of money – such as bailouts.

Yet clever politicians can earn themselves respect by ensuring they are at the real decision-making table; or guiding the debate.

This new trio gives more reason for optimism than their predecessors. ■



Jean-Claude Juncker and Federica Mogherini - he is a veteran of EU politics. She is a rookie. Although Mogherini is EU foreign policy chief, she will also sit in Juncker's commission as a vice-president.

*Photo: European Commission*



## TTIP'S

# Teflon coat wears thin

The prospect of an EU-US trade agreement was one of relatively few sources of comfort for EU lawmakers about the bloc's struggling economy in 2014.

By Benjamin Fox

THE PROSPECT OF AN EU-US TRADE agreement was one of relatively few sources of comfort for EU lawmakers during the bloc's struggling economy in 2013.

Opening the first round of talks last July, European Commission officials and ministers spoke of a "debt free stimulus" that could be worth as much as €100 billion extra to the EU's GDP. Many governments described the potential deal as "win-win".

Trade officials concluded their seventh round of talks on the cumbersome-sounding transatlantic trade and investment partnership (TTIP) in Brussels in October 2014.

Their plan to initial a draft agreement by the end of 2015 remains the goal.

But in 2014, TTIP's teflon coat started to wear off as politicians and trade negotiators got down to hard detail, while opponents of the talks got organised.

## BACKLASH

The backlash came as a surprise to both the EU commission, which is negotiating on the EU's behalf, and the Americans. No previous trade talks have attracted so much attention or controversy. But then no EU trade deal has come close in size and importance to TTIP.

TTIP was always likely to be vulnerable to latent anti-Americanism in many EU countries. There were scare stories about the prospect of US chlorine-treated chicken and hormone-treated beef flooding European supermarkets.

But rules on investor protection appear to pose the greatest risk to TTIP's survival.

Until recently, detailed knowledge



Photo: EUobserver

Opening the first round of talks last July, European Commission officials and ministers spoke of a 'debt free stimulus' that could be worth as much as €100 billion extra to the EU's GDP

of investor state dispute settlement (ISDS) was confined to corporate lawyers and trade negotiators. Outside these circles, few people had ever heard of it or understood it.

## INVESTOR DISPUTES

The mechanism was designed in the 1960s by Germany, which now opposes its inclusion in TTIP, to let companies take legal action against governments on grounds of unfair treatment or discrimination in favour of domestic firms.

Critics say that corporate lawsuits, or even the threat of them, could prevent governments from passing legislation in fields such as health

and safety and environmental and social protection.

The best-known case is an ongoing dispute between tobacco giant Philip Morris and the Australian government over Australia's plain packaging regime – a ban on cigarette advertising.

The EU executive parked the issue by opening a public consultation on ISDS at the start of the year.

In November, six months after the consultation closed, Cecilia Malmström, who replaced the abrasive Karel de Gucht as EU trade commissioner, told MEPs the commission is still evaluating its findings.

The German and French governments have indicated that ISDS is unnecessary because investor rights are already safeguarded by laws. It is a mark of how international trade has evolved that the main bone of contention is not tariffs or state subsidy for a particular sector but investor protection.

## ALREADY 1,400 AGREEMENTS

The trouble is that EU governments have already signed up to more



Photo: Moyan Brenn

Fears that chlorinated chicken, along with hormone-treated beef and GM foods are often raised by critics of the deal.



Photo: Emma Rothaar

A protest against the EU-US trade talks in Germany. European fears are centred on the possible erosion of EU environmental and consumer rights.

than 1,400 investment protection agreements, covering nearly half of the 3,000 such deals between governments around the world.

The US ambassador to the EU, Anthony Gardner, laments that media reports on ISDS overestimate the importance of existing claims.

The commission's preference, and that of the Americans, is to keep the clauses in any deal. De Gucht was a vocal supporter, telling reporters in October that excluding ISDS would be "an absolute disaster," while Malmström has been more circumspect.

But it now looks increasingly likely that MEPs will veto the entire TTIP agreement if ISDS is part of it.

If so, the Juncker commission may conclude that keeping it in isn't worth the risk. Lawmakers have mooted a possible compromise under which ISDS would be taken out of TTIP and dealt with as a stand-alone agreement - the same way the EU's Charter of Fundamental Rights is attached to the Lisbon treaty.

## SCEPTICAL PUBLIC

In her first speech on the trade talks as commissioner, Malmström hinted at a change of tack on how to sell TTIP to a sceptical public. She noted that striking an agreement with the US would help protect Europe's economy from the rising might of China.

The strategic element – that a US deal would strengthen the EU's hand in negotiations with China – is a new line to take.

In the context of Europe's declining share of world trade and the comatose state of global trade talks, many analysts view TTIP as a chance to shape regulatory standards across the world.

If nothing else, the furore on investor protection has demonstrated the importance of political symbolism. The perception of the US as the holy land of low regulation and brutal multinationals is hard to shake.

## THE COURT OF PUBLIC OPINION

TTIP's path was always going to be longer and trickier than lawmakers cared to admit.

Officials hope to reach agreement on a draft text before the end of 2015 and lawyers will have months to scrutinise it before MEPs get their hands on it. Ratification, if it comes at all, is unlikely to be completed before 2018.

Unlike previous agreements it will have to pass the court of public opinion. One online petition against TTIP and a similar trade deal between the EU and Canada had over 1 million signatures in December.

The fact that the talks have already generated thousands of metres of newsprint is a sign EU officials won't be able to deflect TTIP scrutiny by hiding behind technical small print.

The story is already too big and too political for that. ■



# LuxLeaks: an Opportunity?

European Commission President Jean-Claude Juncker was buffeted by the LuxLeaks revelations just days after he came to office. Yet the longterm effect may be beneficial.

*By Honor Mahony*

AS POLITICAL HONEYMOONS GO, it was short and ended abruptly. Just one week into his job as European Commission president, Jean-Claude Juncker was broadsided by a series of newspaper articles outlining the depth and breadth of corporate tax avoidance schemes in Luxembourg. Schemes thought up and enacted while he was running the country.

Known as LuxLeaks, and published in early November, they detailed how hundreds of multinationals were able to pay little or no tax in the countries they were based in by channelling profits through the Grand Duchy.

Billions of euros that should have gone to national treasuries never did - their absence secured by "comfort letters" which gave guarantees that the scheme was approved by Juncker's tax authorities.

Luxembourg's affection for making life easy for multinationals was never a secret. In speeches to national parliament in the early 2000s Juncker referred to his role as a negotiator in setting up favourable arrangements for companies such as Aol and Amazon. He saw it as a way of weaning his country off its reliance on industry.

But the scope - revealed in black and white - was new to the public. LuxLeaks showed that 343 companies - including giants such as Swedish furniture maker Ikea, German lender Deutsche Bank, and US tech firm Apple - received comfort rulings.

It was an awkward revelation for someone who had come to the EU post acknowledging that his commission had to win back the trust of EU citizens or "fail".

The more awkward because the political tide has changed in recent years. While such deals may be perfectly legal, they are seen as morally untenable in the context of austerity and high unemployment in Europe.

## STATE AID RULES

At the same time, Juncker's own commission - in one of the last steps undertaken by the previous president - is currently investigating a series of tax deals to see whether they breached EU state aid rules.

EU lawyers are looking into breaks given to Apple in Ireland, coffee chain Starbucks in the Netherlands, and to e-commerce giant Amazon as well as to Fiat Finance in Luxembourg - the last two raising the question of potential conflict of interest.

Juncker's initial reaction was a misstep. He chose to ignore the revelations, letting his spokesperson inform the public that it was "normal practice".

A week later, he broke his silence and said that if the "tax rulings" (or comfort letters) led to "non-taxation" he would regret it.

He also made two proposals: the commission would try and unblock the very-stuck legislation on creating a common corporate tax base - first tabled in 2011 - and propose a new law on the automatic exchange of information on comfort letters.



Billions of euros that should have gone to national treasuries never did - their absence secured by 'comfort letters' which gave guarantees that the scheme was approved by the tax authorities.

*Photo: Fotolia*



Jean-Claude Juncker - the man in the spotlight. Juncker was prime minister of Luxembourg when the schemes were thought up and enacted.

*Photo: European Parliament*



The European Commission is examining whether Ireland gave illegal state aid to Tech giant Apple. They are also looking into tax breaks given to Starbucks in the Netherlands, as well as Amazon and Fiat Finance in Luxembourg.

*Photo: Valentina Pop*

## A BLESSING AFTER ALL?

But the whole affair could yet turn out to be a blessing in disguise.

LuxLeaks has once more put the issue of tax avoidance onto the political agenda. The fact that the EU commission president is a part of the story means it has a higher chance of staying there.

Reviving the common corporate tax base and putting forward a new law on automatic exchange of comfort letters - as Juncker plans to do - could normally be said to be legislative dead ducks from the get-go.

EU tax-related laws require unanimous agreement - a feature which Luxembourg, among others, has used to its fullest in the past.

But the new political dynamic and the great (and angry) public gaze might make it harder for member states to hide behind their veto than previously.

On balance, having as commission president a man who did so much to aid corporate tax avoidance while PM might result in some real action - 2015 will tell. ■

## MARGRETHE VESTAGER

Juncker is in the spotlight because he is now European Commission president, but many EU governments engage in the same practices.

A day after the LuxLeak revelations, a Dutch report suggested the Netherlands' corporate tax regime is on a par with Luxembourg's. Ireland and the UK are also assiduous in wooing multinationals with tax deals.

The issue looks likely to keep haunting Juncker. His competition commissioner, Margrethe Vestager, is looking into whether Luxembourg breached EU rules on state hand outs.

If she finds the Grand Duchy didn't, there are likely to be grumblings about a whitewash.

If she finds it did, then Juncker would be in the uncomfortable position of heading an EU institution meant to be guardian of rules that he broke as prime minister.





▶ Liberal leader Guy Verhofstadt shortly before a TV debate on 15 May. He was running for the EU commission presidency, a job eventually taken by the centre-right's Jean-Claude Juncker.

Photo: European Parliament



▲ Martin Schulz getting ready for an election debate on 15 May. Schulz was the Socialists' frontrunner for the European Commission presidency. But the centre-right won the EU elections later that month.

Photo: European Parliament



◀ Four PMs in a boat in Harpsund, Sweden (from L-R) Britain's David Cameron, Germany's Angela Merkel, Sweden's Fredrik Reinfeldt and the Dutch Mark Rutte. British press later mocked Cameron for wearing a life vest.

Photo: Bundesregierung/Bergmann

▼ Nigel Farage - his anti-EU Ukip party has seen a surge in popularity, winning its first seats in Westminster in 2014. Farage has made curbing immigration his main political issue.

Photo: European Parliament



▲ Green MEP Ska Keller arriving by bike for an EU election debate on 15 May. She attracted a lot of attention for being a new face among the more familiar ones running for the EU commission top post.

Photo: European Parliament



◀ Marine Le Pen - her far-right National Front party came top in France's EU elections. She is an admirer of Russia (her party has borrowed from a Kremlin-linked bank) and dislikes the EU.

Photo: mlp



Photo: EUobserver

# Breaking up is hard to do

For a frenzied 72 hours of campaigning, the future of the United Kingdom was under threat. The 300 year old settlement binding together Scotland and England in danger of being torn up.

By Benjamin Fox

For a frenzied 72 hours of campaigning, the future of the United Kingdom was under threat. The 300-year old settlement binding together Scotland and England in danger of being torn up. A poll putting the Yes campaign marginally ahead, along with a string of others putting the campaign in a dead heat, prompted panic from Edinburgh to London.

Were Scots really about to kiss the Auld Enemy goodbye? The consequences for British politics would be profound. Scottish independence would force David Cameron out of Downing Street and cause an unprecedented constitutional crisis. Not to mention the question of whether Labour, which has traditionally held most of Scotland's Westminster seats, could ever win another election without Scottish votes.

## ALEX SALMOND

In the event, the panic was unjustified. The pollsters were wrong. The 55-45 margin in favour of remaining in the Union was decisive. In the end, it was the charismatic Scottish National Party leader, Alex Salmond, who announced his resignation after the vote.

Having been the dominant figure in Scottish politics for more than a decade, Salmond's retirement will leave a void.

But even defeat by a 10-point margin must still be counted as a triumph for Salmond.





◀ Artur Mas is the president of Catalonia, Spain's most wealthy region.

Photo: Convergència Democràtica de Catalunya



The November poll in Catalonia was not binding - the independence question remains uncertain.

Photo: sba73

Tony Blair's Labour government introduced devolution for Scotland and Wales more than 15 years ago in part to kill off future demands for independence.

Despite being in government in Edinburgh since 2007, the Scottish Nationalists were still 20 points behind the No campaign at the start of 2014. The Scottish campaign was never supposed to be so close.

#### SCOTLAND'S EU STATUS

EU membership was one of the main bones of contention. The pro-Union Better Together campaign argued that an independent Scotland would be booted out of the bloc and be forced into a lengthy and uncertain accession procedure.

The Yes campaign claimed that a simple revision of the EU treaty could protect Scotland's EU status without accession negotiations.

Pro-Independence campaigners also retorted that Cameron's plan to hold an in/out referendum on the UK's continued membership in 2017 was a more serious threat to Scotland's EU status.

Just as serious was the debate about whether an independent Scotland would be able to continue to use the pound or be forced into the eurozone, an issue on which the Yes campaign failed to offer a clear answer.

#### RELIEF IN BRUSSELS

In Brussels, meanwhile, although the European Commission studiously avoided taking sides, the relief in the EU executive's Berlaymont headquarters was almost as palpable as in London.

Scottish independence would have caused a major headache for the EU institutions and sent a shock-wave across the bloc.

There is no precedent for an EU country breaking up. Carefully constructed compromises on voting weights in the Council - where member states are represented MEP seats would have had to be unpicked and re-written, not to mention a potentially fraught accession process for a Scottish bid to join the EU.

It would also have provided a huge fillip for nationalist and regional parties that have seen a surge in support across a number of EU countries.

#### CATALONIA

Two months later, and a few thousand kilometres south of Edinburgh, voters in Catalonia had their own independence poll. Catalonia's vote lacked similar drama for the simple reason that it was not going to change anything.

Spain's centre-right government and the opposition socialist party were united in their opposition to the poll, while the country's constitutional court forbade the holding of a formal referendum.

The court even sought to halt the consultative referendum pending an analysis on whether it breached the Spanish constitution - a position which was ignored by the Catalan government.

Perhaps unsurprisingly, most Catalans chose not to vote. Only one in three Catalans went to the polls on 9 November, although around 80 percent of those who did voted Yes to the two questions: "Do you want Catalonia to be a state? If so, do you want this state to be independent?"

Ten percent backed a Catalan state that remained part of Spain while 4.5 percent voted No on both questions.

In both cases the referendum result is not the final word in the story.

#### KINGMAKERS

As the opinion polls narrowed, pro-Union politicians offered new powers to the Scottish government, including more powers over taxation and economic policy, in a bid to keep Scotland in the UK.

These will now have to be fleshed out. Cameron's Conservative party only holds one of the 59 MPs elected to Scottish constituencies, and his English-centric party will be resistant to any extra financial support to Scotland. He has also vowed to tackle the constitutional quirk which allows Scottish and Welsh MPs to vote on policy matters that affect England but not vice versa.

Nor does the referendum defeat appeared to have dampened the enthusiasm of Scots for either the SNP or independence. A survey conducted in early November indicated that 52 percent of Scots now back independence.

Polls also suggest that the SNP will gain a bushel of seats from the Labour and Liberal Democrat parties and could, potentially, end up as king-makers following next May's general election. If Scottish independence is on the back-burner for now, it would be naive to rule out the prospect of another referendum within the next decade.

#### ARTUR MAS

The situation is more turbulent in Spain, where Catalan government leader Artur Mas is set to face federal charges for disobeying the court order and misusing public money by holding the referendum.

Prime minister Mariano Rajoy has also stated that there is no chance of a formal referendum on secession, describing the November poll as "not a consultation or a democratic vote but rather an act of political propaganda."

However, the overwhelming Yes among those who voted is likely to stiffen the resolve of Mas and his supporters to demand a binding referendum in the future.

Independence campaigners have been silenced, but probably not for long. ■



▶ Scots voted 'No' in their referendum in September but talk about further devolution will continue.

Photo: Phyllis Buchanan





◀ Nigel Farage - a familiar face in the European Parliament from his time as an MEP  
Photo: European Parliament

## UK ELECTIONS:

# All bets off

Just months to Britain's next general election all bets are off. Can one of the beleaguered Conservative or Labour parties stumble across the winning line, or will Ukip's surge continue?

By Benjamin Fox

WITH A FEW MONTHS to go until Britain's next general election all bets are off. At least, so said Ukip leader Nigel Farage after his party won its second by-election in as many months in November.

It is hard to disagree with his analysis.

Britons will decide next May whether to give David Cameron's Conservatives the chance to govern alone or to replace him with Labour's underwhelming leader Ed Miliband.

But in truth, it is looking increasingly unlikely that either party will win a majority in the House of Commons. Having gone more than 80 years without a formal coalition government, Britain is likely to follow the example of most other EU countries and become a country of coalitions.

As befits two parties badly short of confidence, neither really expects to win. The Conservatives continue to trail Labour in most polls, even though Miliband's personal ratings are edging closer to the numbers endured by France's perennially unpopular Francois Hollande. Both have languished on between 30-35 percent in opinion polls for most of 2014 and their prospects are not likely to change significantly.

The embattled Liberal Democrats look set to survive five years in coalition with Cameron's party, a feat which few analysts thought possible back in 2010, but look almost certain to suffer the humiliating defeat that seems to befall most junior coalition parties.

## FRAGMENTED

Yet despite the major parties boasting the least distinguished front-benches in living memory, British politics has seldom been as interesting.

This is because it is more fragmented than at any other time in recent history. Despite still having a voting system, first past the post, that rewards the largest parties, there are a handful of would-be kingmakers when the votes are counted in May.

Some minor parties have seen a surge in popularity. In fact, the Liberal Democrats, Ukip - which wants to withdraw from the EU - and the Scottish Nationalists (SNP) could all win between 10 and 30 seats, although the SNP is likely to have the most MPs in the next parliament.

Neither is the economy likely to be the most important issue to voters, a blow for Cameron since most voters appear to have more financial trust in him and his finance minister George Osborne than in Labour's Miliband and Ed Balls. Instead, voters are preoccupied with reducing the number of immigrants, particularly from eastern Europe,



◀ David Cameron's demands to establish quotas for EU migration call into question one of the European Union's "four freedoms". Though Merkel is famous for her willingness to compromise, she is not willing to budge on that issue.

Photo: 10 Downing Street

whom they suspect of coming to Britain to take advantage of the country's benefits system and free health service.

## WELFARE TOURISM

The surging support for Ukip, who topped May's European election poll, and then won two parliamentary by-elections at the expense of the Tories, has prompted a rather unedifying competition between the Conservatives and Labour to see who can talk toughest on "welfare tourism".

Both have vowed to reduce the access of EU migrants to unemployment and housing benefits, although Cameron has backtracked on his initial plan to impose a cap on the total number of migrants.

So far, the plans have not persuaded the British public or had any support from other EU countries, but don't expect the parties to stop trying.

Nearly two years after promising to reform Britain's EU membership terms, followed by an "in/out" referendum in 2017, Cameron is no closer to uniting his fractious party or to setting out in any detail a coherent set of demands from EU capitals.

## BREXIT

If anything, the Conservatives are more divided on Europe than they were a year ago.

MPs Douglas Carswell and Mark Reckless both defected from the Conservatives to Ukip, and both comfortably held their seats as Ukip candidates, prompting speculation that more defections to Nigel Farage's party are likely. Although Farage is taking heavy chunks of votes in Labour heartlands across the country, it is still the Conservatives who stand to lose most if the Ukip surge continues unabated.

Bill Cash, a veteran Conservative eurosceptic, has told media that around 200 of the Conservatives' 320 MPs plan

to vote to exit the EU. Although the likely figure is closer to 100, the fact remains that a referendum would almost certainly lead to an unprecedented civil war in the Conservative faction.

Cameron's referendum pledge increasingly looks like his party's death sentence.

It is difficult to say whether a referendum is more or less likely than a year ago. Labour and the Liberal Democrats successfully resisted a planned law that would have made a plebiscite in 2017 legally binding. Whether they can still resist agreeing to a vote in May is unclear.

Like the election itself, all bets are off. ■



▲ Can he hold on? David Cameron could be out of Downing Street in May if opinion polls remain unchanged.

Photo: 10 Downing Street



▲ Nigel Farage, MEP and leader of the UK Independence Party, lost his political group in the European Parliament in October, when Latvian MEP Iveta Grigule quit - but soon won it back, with the help of Poland's far-right KNP party.

Photo: European Parliament



# OVER the BLUE HORIZON

A killing in the Jewish Museum in Brussels and an infant girl in the sea near Crete: fragments of two Middle East conflicts which just got worse.

By Andrew Rettman

On 24 May 2014, a lone man opened fire at the Jewish Museum of Belgium in Brussels, a short bus ride from the EU institutions, killing four people.

On 14 September, a nameless two-year old girl was rescued by the Greek coastguard near Crete after floating in the sea for three days.

Both are fragments of conflicts on the other side of the Mediterranean which got worse in 2014 and which will cause new problems for European counter-terrorist officers, defence chiefs, humanitarian workers, and diplomats in the year to come. The Brussels gunman was a "foreign fighter".

Mehdi Nemmouche, a 29-year old French national, was arrested carrying a gun wrapped in the flag of Isis, one of the Islamist groups in Iraq and Syria. He had spent 2013 training in Syria before using his French passport to get back into the EU's borderless Schengen Zone.

Photo: FreedomHouse2



Unknown fighter in Syria. The US estimates that about 2,000 European Muslims have gone to Syria to fight alongside Islamists, posing a terrorist threat if they return.

Photo: UNHCR



Refugees leaving Syria on foot: The three-year old conflict has caused almost 4mn people to flee to neighbouring Turkey, Lebanon, and Jordan.

## FOREIGN FIGHTERS

The Syrian civil war has been going on for three years. It entered a new phase in 2014 when Isis seized control of large parts of Iraq, including revenue-generating oil facilities, and threatened to take the Kurdish capital Erbil and Baghdad. By the end of the year, Isis flags were spotted in Libya.

It also saw greater numbers of European Muslims - foreign fighters - attracted by Isis' brutal vision of an Islamic Caliphate.

The US estimates there were between 2,000 and 3,000 of them in the region in November, many from Belgium, France, and the UK.

Meanwhile, the two-year old girl is thought to have come from Syria or Gaza.

She was one of about 500 people trying to cross the Mediterranean to claim asylum in Europe, most of whom

Photo: un.org



War damage in Gaza after Israeli operation Protective Edge. 'It's better to try and to drown in the sea than to stay at home and be killed by Israeli bombs', one Gaza resident said.

Photo: EUobserver



Palestinian girls at a UN school in Gaza in 2012, shortly after Israeli air strikes demolished the other half of the school building in the previous Gaza operation, Pillar of Defence.

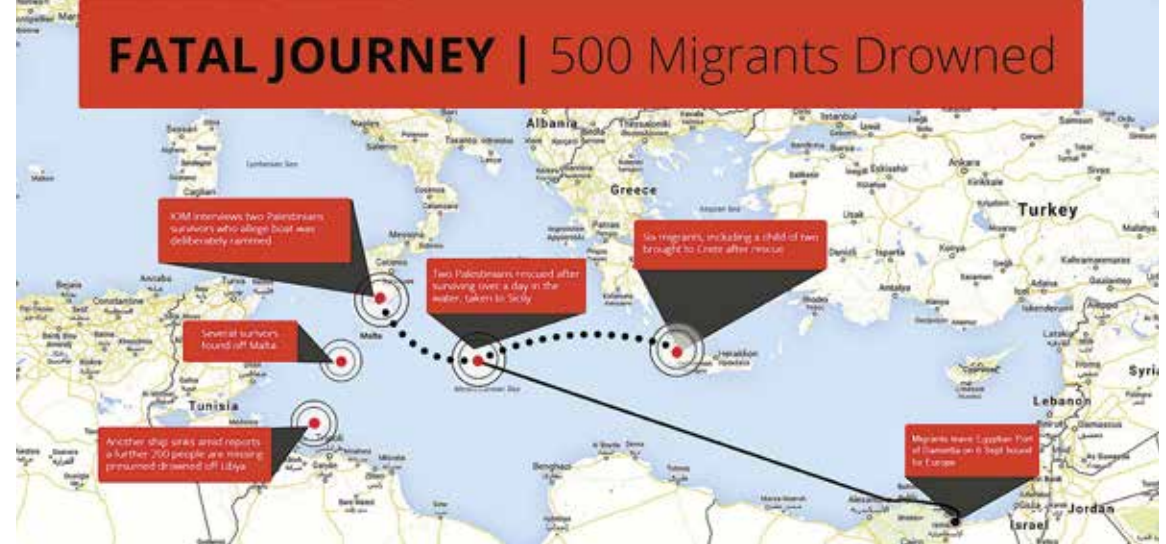


Photo: iom.org

The International Organisation for Migration says 2014 was the deadliest year on record for Mediterranean crossing deaths, but is unable to say why.

had come from Gaza. Their boat sank when human traffickers rammed it, drowning almost everybody.

## SEA-CROSSINGS

African, Asian, and Arabic refugees have been attempting the sea-crossing for a long time.

The number of people who died trying this year passed 3,400, compared to 700 in 2013, despite EU and Italian search and rescue operations.

The number of Syrians keeps growing because almost 4 million people have now fled the country.

But the exodus of Palestinians from Gaza is a new factor. It follows an Israeli land incursion in summer, which killed more than 2,000 people, and comes amid ever-harder living conditions due to Israel's blockade.

If Isis became a strategic threat in Iraq, the Arab-Israeli conflict also became more complicated with Israeli plans for new settlements which, if constructed, will mean there can be no two-state solution.

Photo: james\_gordon\_losangeles



Syrian president Bashar al-Assad has clung on to power with the support of Iran, Iraq, the Hezbollah militia in Lebanon, and Russia.

Photo: idf



Israeli tanks entered Gaza in summer, following a heavy air bombardment. Sixty six Israeli soldiers were killed in the operation. Five Israeli civilians and a Thai national also died in the brief war.

The Mediterranean Sea around Italy. Syria, Iraq, and Gaza aside, 2014 also witnessed: sectarian violence in Lebanon; Egypt ordering mass-scale hangings of opposition prisoners; anarchy and violence in Libya.

Photo: Mediterranean





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