

CEPS COMMENTARY



Thinking ahead for Europe

Exceeding expectations, Lithuania moves the Trio presidency forward

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The work of the Lithuanian Presidency was largely determined by the imperative to complete the plans to strengthen the Economic and Monetary Union and the time pressure to pass legislation before the end of the current parliamentary term in May 2014. Under the theme 'A credible, growing and open Europe', the main priorities of the Presidency were sustainable finances and better economic governance, the EU budget, the Digital Agenda, the Single Market, the Internal Energy Market and the Eastern Partnership. Its Presidency was the second in the Trio, preceded by Ireland and succeeded by Greece. The small size of its administration and the lack of previous experience in running the six-month presidency of the Council were the main handicaps. Nevertheless, the Lithuanian government was determined to assume full responsibility of the process and faced the challenges by focusing on the main dossiers. In the end, some 137 legal acts were adopted during its watch, including several highly sensitive and complex pieces of legislation. The overall success was only slightly marred by the haste with which a few agreements were negotiated.

The Trio's overriding priority: Banking union

The Lithuanian Presidency made strenuous efforts to allow the completion of the banking union before the last plenary sitting of the European Parliament (EP) takes place in April. Basic agreement had been reached by the Irish Presidency on the Council regulation conferring specific tasks on the European Central Bank (ECB) concerning the supervision of credit institutions, as well as on the related regulation of the EP and the Council amending the European Banking Authority (EBA). The EP, however, had made its final vote on the latter conditional on the improvement of the accountability of the ECB's new supervisory powers, which was only achieved in an inter-institutional agreement between both institutions on September 10th. Two days later, the EP gave its consent to the Council regulation on the ECB supervising powers and voted in favour of the regulation amending the EBA. In mid-October, the two seminal pieces of legislation were formally adopted by the Council. The single supervisory mechanism should become operational by autumn 2014.

Agreement in the Council on the Bank Recovery and Resolution Directive had also been reached in June 2013, with the Lithuanian Presidency expected to lead the subsequent negotiations with the EP. The Directive provides national authorities with powers and instruments to pre-empt bank crises and to resolve any financial institution in an orderly manner in the event of failure. Diligent negotiations allowed for an agreement with the EP

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on December 12th. The COREPER endorsed the deal on December 20th and it is now awaiting formal adoption by the EP. The directive is expected to enter into force in January 2015.

After protracted negotiations, the Ecofin Council, at its meeting on December 18th, also agreed on a general approach to the regulation on the single resolution mechanism (SRM), which will now have to be negotiated with the EP during the Greek Presidency. Given the strong disagreements among the member states, the text of the final agreement is quite complex, especially as regards the decision-making of the future Resolution Board, and also incomplete, as it still requires the conclusion of an intergovernmental agreement on the single resolution fund, which member states committed themselves to negotiate before 1 March 2014.¹ The EP has expressed discontent with the fact that the Council is once again resorting to an international treaty outside the Community framework and has voiced specific concerns about both the vagueness and the complexity of the text. Negotiations, therefore, are expected to be complicated.

The Lithuanian Presidency was also expected to start negotiations on the Directive on UCITS (Undertakings for Collective Investment in Transferable Securities) and to continue negotiations with the EP on legislation governing markets in financial instruments (MiFID II). Despite internal differences, an agreement on UCITS V was secured in the Council on December 4th and trilogue negotiations will continue under the Greek Presidency with the aim of reaching a final agreement on the directive before the end of the current legislative cycle. On MiFID II, the Lithuanian Presidency advanced negotiations, and an agreement between the Council and the EP has just been reached on January 14th under Greece's leadership.

Other pending sensitive dossiers

In addition to the substantial progress achieved on the banking union, the Lithuanian Presidency also succeeded in advancing a number of sensitive dossiers that had encountered difficulties during the first six-month stint of the Trio. Perhaps the most important issue to be resolved was the Multiannual Financial Framework (MFF) for 2014-20 and adoption of all related sectoral agreements. The Irish Presidency had reached a deal with the EP in June but the EP conditioned its final approval on the provision of additional funds to meet payment obligations of the 2013 budget year. The demand was addressed in the context of the negotiations of the 2014 budget during the Lithuanian Presidency. A compromise was finally reached on November 12th, paving the way for the EP's approval of the MFF a week later and Council adoption on December 2nd. Lithuania hailed the agreement as one of its main achievements, given the challenging nature of the inter-institutional budget negotiations, and praised themselves for passing 61 out of 74 legislative acts, to enable the budget to go into effect at the beginning of 2014.

Under high-level pressure from Germany, COREPER had postponed in June 2013 giving its endorsement to a deal previously agreed with the EP in trilogue negotiations on the legislative proposal to reduce CO₂ emissions from new passenger cars. The Lithuanian Presidency had to face Germany's petition to revise the directive and extend the deadline for its implementation from 2020 to 2024. The unusual move to modify a trilogue agreement drew support from other member states. After several attempts by the Presidency, a new compromise text delaying the implementation of the directive to 2021 was accepted by the Council and endorsed by the EP's Environment Committee in December. The vote in plenary

¹ Daniel Gros, "The Bank Resolution Compromise: Incomplete but workable?", CEPS Commentary, 19 December 2013 (www.ceps.be/book/bank-resolution-compromise-incomplete-workable).

is expected to take place at the end of February in the hope –but no full guarantee– that a first-reading agreement will be reached.

A general approach to the tobacco directive had been adopted by the Council on 21 June 2013, but the EP first postponed the vote (in September) and then rejected (in October) the Commission's approach, forcing a revision of the proposal. Lithuania led five informal trilogue negotiations after a revised text was submitted by the Commission, largely revolving around the contentious issue of electronic cigarette regulation, which was strongly opposed by many MEPs and member states. On December 16th, a preliminary agreement was reached on most articles of the amended proposal, although the issue of the e-cigarettes had to wait for the COREPER meeting two days later to get the endorsement of the member states. This development has generated a new confidence that the law will now be passed before the end of the current parliamentary term.

Persistent efforts by the Lithuanian Presidency also allowed for negotiations within the Council and with the EP on the Free Movement of Workers Directive to conclude in agreement in record time. The Council had failed to reach a general approach during the Irish Presidency, and Lithuania – together with the Commission – decided to bring forward a new compromise proposal, which was voted forward in the EP's Employment and Social Affairs Committee on November 5th. A mandate to the Lithuanian Presidency to negotiate with the EP was granted by the COREPER on November 22nd, with the first informal trilogue taking place on December 2nd. Agreement was reached on December 16th and endorsed four days later by the COREPER. The first-reading vote in the EP is scheduled to take place next month. The Directive includes measures to facilitate displaced workers in the exercise of their rights.

Conclusion

On top of these impressive achievements, the Lithuanian Presidency was also successful in pushing forward legislation on the Digital Agenda for Europe and the Internal Energy Market – both of which were essential elements of the EU's Compact for Growth and Jobs. Ukraine's abrupt withdrawal from the EU Association and Free Trade Agreement, which severely marred the summit in Vilnius, did not manage to tarnish this good record even though Lithuania had championed the Eastern Partnership as one of its flagship initiatives throughout its presidency.

In a nutshell, Lithuania assumed its maiden term running the rotating Presidency of the Council under difficult constraints: the country's modest administrative capacities and the enormous time pressures brought on by the urgency of certain dossiers and the abbreviated term of the current Parliament, which ends in mid-April. Nevertheless, substantial progress was made thanks to the perseverance and strenuous efforts by the Lithuanians. Minor criticisms were confined to the future implementation and effectiveness of a few allegedly rushed agreements.

We conclude this Commentary with a final observation that the Lithuanian Presidency illustrated the growing inclination on the part of the institutions to push for first-reading agreements and the tendency to assess rotating Presidencies in terms of the volume of legislation adopted. The implications of these developments merit further reflection.