



The Changing Face of Europe

9th June 2009

New Powers & Priorities for the EU Parliament

Once the dust has settled and the initial furore of the results has subsided, the new class of MEPs has some of the most pressing issues to address in the Union's history. The implications for U.K. business are enormous. On their return to Brussels in the autumn, reform of the financial markets will top the agenda for many MEPs. While there are sensitive sector-specific dossiers which will impact on hedge fund regulation and banks' capital requirements, the major talking point will be the overhaul of financial regulation to better coordinate supervision at a European level.

With its powers due to swell under the Lisbon Treaty (pending the referendum in Ireland), the Parliament's influence over the other major policy areas including climate change and employment will be crucial. New Parliamentarians, who will not necessarily be experts on the finer details of many of the dossiers which will land on their desk, will require policy briefing from industry experts.

A New Direction for the Commission

The first major task for the new Parliament will be to confirm (or potentially reject) the European Council's candidate for the next President of the European Commission. This will take place during July's plenary session in Strasbourg. The candidate will be the current President, José Manuel Barroso. He is set to continue in his position for the next 5 year term, although the shape of his next College of Commissioners will be very different. The poor showing from the Socialists and the EPP's relative success has worked in his favour, although the highly fragmented Parliament will require him to seek the support of Parties on the left to secure his re-appointment. The Greens are already running a "stop Barroso" campaign.

While Barroso's decision in 2004 to place free-marketeters in key portfolios (Charlie McCreevy at Internal Market, Neelie Kroes at Competition and Peter Mandelson at Trade) was always unpopular among more traditional backers of the European Social Model, the financial crisis and the Commission's response to it has put paid to any chance of Barroso continuing to champion a deregulatory stance. We can expect to see a far more interventionist approach from the Commission under Barroso's next term, with key posts unlikely to be afforded to pro-industry candidates.

facts and figures...

- › **Lowest ever voter turnout across the EU – 43%. UK turnout falls to 34%**
- › **Labour comes third in the polls with 15% vote share, behind UKIP which takes 16%**
- › **BNP wins two seats – its first ever victory in national elections**
- › **Conservatives win the popular vote in Wales – the first time since 1918 that Labour has not topped the poll**
- › **Centre right group EPP remains the largest group despite Conservative withdrawal**
- › **Protest voting throughout Europe leads to the most fragmented Parliament in the institution's history**



A Democratic Deficit

The 2009 European parliamentary elections will be remembered for exposing the widespread anti-EU sentiment felt among the bloc's citizens. The headline-grabbing protest votes reveal just how deep the democratic deficit is at a European level: the lowest ever turnout across the Union - falling to 43% - and key victories for extremist parties which have led to the most fragmented parliament in the assembly's history.

In the UK the news is evening more damning for the established political parties who were shunned by one in three voters. Labour was beaten to second place by UKIP, despite the latter having one of the worst expenses record of any UK political party in the European Parliament. The BNP won two seats and with this success comes the springboard of additional funding and increased exposure.

The EPP group of centre-right parties will continue to be the dominant force in Parliament. Even factoring in the loss of the U.K. Conservatives, the EPP has had a relatively successful campaign with Sarkozy and Berlusconi's parties, among others, performing well. For the Socialist group however, Labour's poor show was only one disappointment in a woeful election which saw its share of seats decrease by around 5%.

Conservatives Pull out of EPP

And what of the U.K. Conservatives in Brussels? While topping the popular vote in Wales was the highlight of a positive night for the Party, there remains a major question mark over who they will work with in the new Parliament. There has been no indication throughout the election campaign that Cameron is willing to renege on his promise to leave the EPP. This leaves the Conservatives scanning results, particularly from Eastern Europe, to identify potential allies to form their proposed centre-right, anti-federalist group with the already-touted Czech Civic Democrats.

The ramifications of the EPP pull out, for both UK industry and the Conservative Party itself, should not be understated. Conservative MEPs will not now be afforded the powerful roles of Committee Chairs or rapporteur on important dossiers and could generally find themselves on the fringes of debates. Moreover, Cameron's decision has infuriated some of his centre-right equivalents, including Chancellor Merkel, and as such the influence of a future Conservative Government at the European Council will be compromised.

What's Next?

We now await a summer of horse-trading in Parliament as MEPs and groups position themselves on to the different parliamentary committees, attempting to win influential chairmanships and prominent roles within the institution.

While we await the outcome of this, some things are already certain - a more fragmented Parliament, a more interventionist Commission and a less influential Conservative presence in Brussels. And all this at a time when Europe has never been more important in shaping legislation. The need for industry to articulate its messages to a European audience is more apparent than ever.

› **New Minister for Europe
Glenys Kinnock stands
down as MEP to join the
House of Lords**

› **MEPs to accept or reject
Barroso's candidacy to
remain Commission
President in July**

› **All Commission candidates
to be scrutinized by
parliamentary Committees
in the autumn**

› **MEPs to decide on
committee chairs during
the summer**

› **Conservatives continue to
identify potential partners
for a new, anti-Federalist,
centre-right group**