

European & External Affairs Committee

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Date: 12 October 2005

Time: 09:00 - 12.00

Venue: National Assembly for Wales, Cardiff Bay

Title: Minister's Report

Purpose

1. To provide an update on a range of issues arising since the last meeting of the Committee.

Recommendation

2. Members to note the content of the report.

Background

3. The Committee last met on 22 September. This paper provides an update.

First Minister's International Activities

- 29 September 2005 Visit of Danuta Hübner, European Commissioner for Regional Policy

I met the Commissioner and discussed the use of Structural Funds in Wales and other European issues. Members of the Committee, including myself also met the Commissioner. Andrew Davies hosted dinner for the Commissioner, Committee Members and stakeholder guests at the Hilton hotel.

- 4 October 2005 European Foundation for Quality Management Conference

I gave an address at the Gala dinner and presented the European Quality Award. This is an annual international business management conference, which is being hosted by the Wales Quality Centre. The focus of the event is how European Business can remain competitive in the face of the challenge from Asia. The Minister for Economic Affairs and Transport presented the Wales Quality Award.

- 7 October 2005 Meeting with Robert Holmes Tuttle, American Ambassador to the UK

I met the Ambassador, who was sworn in on 14 July 2005 as Ambassador to the Court of St James, by Secretary of State Rice. This was his first official trip to Wales.

Other Issues

Action Points Arising From The Last Meeting on 22 September: Annexes

- The Committee requested a note on when the new Eurostat statistics on economic performance would come into effect. This is attached at Annex A.
- Members asked whether the EC had any plans to change the current SME definition. A briefing note setting out the latest position is attached at Annex B.
- Members asked for a list of events that would be taking place in Wales for the UK Presidency and more specifically a note on the Youth Event. This is attached at Annex C.

European News

- German Elections: What Next? – After the inconclusive result of the German elections, the current Government will remain in place until a new Chancellor is chosen. This will take some time and will be determined by a combination of constitutional law, convention and inter-party agreement. The parties capable of being involved in a Government (in this case, all of them) now begin coalition negotiations. Once a coalition has been agreed and looks capable of commanding a majority, President Kohler nominates a Chancellor-candidate to be put to a vote in the Bundestag. An absolute majority of the Bundestag (i.e. 300 of 598 seats) is needed to approve the new Chancellor. The Bundestag must convene no later than one month of the election (18 October) even if the President has not presented a Chancellor-candidate. The process can extend to a second and indeed third vote, although this has never happened.
- European Court of Justice, Landmark Ruling re: Criminal Law Legislation – On 13 September 2005, the EU Court of Justice ruled that the European Commission could legislate in the area of criminal law. The Commission will now decide whether to resubmit a proposal requiring member states to criminalise deliberate environmental damage. The court's ruling was a blow to 11 member states, including the UK, which wanted the Commission to keep out of criminal law.
- EU Monitors for Moldova – Ukraine – The EU has, for the first time, made plans to deploy monitors in the former Soviet Union, following a joint request for help, from the Ukrainian and Moldovan governments. The monitors will be deployed in Trans-Dneister, a territory of Moldova, which broke away in 1992. 50 monitors will be deployed in the territory, which has been described by EU officials as a "black" hole, a haven for smugglers and arms dealers,

dangerously close to EU borders. Their precise remit, however, has yet to be decided.

- Ukrainian Assembly backs new PM – The Ukrainian Parliament has approved President Victor Yushchenko’s choice of Prime Minister, Yuri Yekhanurov, at a second attempt. The President nominated his candidate earlier this month after sacking the government of Prime Minister Yulia Tymoshenko, accusing her of corruption.
- Polish General Elections – Centre Right parties have defeated the ruling left in the first General Election since Poland joined the EU in 2004. Coalition negotiations are to follow with Jaroslaw Kaczynski expected to be the next Prime Minister. The ruling left had been damaged by scandal and a rise in unemployment to 18%, the highest in the EU.

Rhodri Morgan AM
First Minister

Date	Assembly Minister/ Official/ Division	Event	Objectives	Outcomes
29 Sept 2005	Minister for Education and Lifelong Learning	EARLALL General Assembly	The Minister will attend the EARLALL General Assembly meeting in Mainz in her capacity as Vice President of the Association. Membership of EARLALL provides a valuable opportunity for European regions to work together on strategies and programmes for lifelong learning. The Minister will table two papers, one detailing recent key Welsh developments in education and lifelong learning, and the other updating members on EU Policy developments.	The Minister’s attendance and status at these meetings further cements relationships with the other EARLALL regions and provides an opportunity for raising the profile of Wales within Europe. Through membership of EARLALL we are also undertaking work on a number of collaborative projects with EARLALL partner regions.

29 Sept 2005	First Minister and Minister for Economic Development and Transport	Visit to Wales by European Commissioner for Regional Policy, Danuta Hübner	To explore how we use structural funding in Wales. The programme was based around visits to projects benefiting from EU Structural Funds in Swansea including the Swansea Apprenticeship Project and companies based at Technium II. It also provided an opportunity to visit the National Waterfront Museum and have a presentation at the Institute of Life Sciences. For the Commissioner to meet with Members of the European & External Affairs Committee.	The Commissioner fulfilled her objectives and now has a clear idea about some of the ways in which we use structural funding in Wales. The visit furthered the existing good relationship with DG Regional Policy and with the Commissioner in particular.
4 Oct 2005	First Minister Minister for Economic Development and Transport	European Foundation for Quality Management Conference	The First Minister addressed the conference and presented the European Quality Award. The Minister for Economic Development and Transport presented the Wales Quality Award.	
6-8 Oct 2005	Minister for Health and Social Services	Visit to Norwegian Centre for Telemedicine, Tromso, Norway	To view the Telemedicine Centre to further our understanding of how technology may be successfully implemented and exploited in the modernisation process. Designed for Life proposes a challenging programme of modernisation, Norway has undertaken significant investment in this area and	To gain an insight into how the Norwegian Health Department and the Norwegian Centre for Telemedicine has successfully facilitated the implementation of Telehealth Services in a variety of healthcare settings

			has established exemplar facilities.	
7 Oct 2005	First Minister	Visit by Robert Holmes Tuttle, US Ambassador to the UK	The Ambassador was appointed on 14 July 2005. This is his first visit to Wales. He had requested to pay a courtesy call on the First Minister.	
9 & 10 Oct 2005	Minister for Environment, Countryside and Planning	Cologne - HYBU CIG CYMRU/ WDA Anuga Food Fair events & Meeting with German Agriculture Minister.	An opportunity to speak about the successes of Welsh Food and highlight the benefits of food from Wales.	Will assist In raising the profile of Wales in the world market place.

Action point arising from EEAC, 22 September

The Committee requested a note on when the new Eurostat statistics on economic performance would come into effect

- The criteria used to determine eligibility for Convergence funding (i.e., full Objective 1) for the period 2007-13 are set out in the draft Structural Funds General Regulation. The draft General Regulation states at Article 5.1 that:

The regions eligible for funding from the Structural Funds under the "Convergence" objective shall be regions corresponding to level II of the Nomenclature of Territorial Statistical Units (hereinafter "NUTS level II") within the meaning of Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 whose per capita Gross Domestic Product (GDP), measured in purchasing power parities and calculated on the basis of Community figures for the last three years available on [...], is less than 75% of the Community average.

- The date in square brackets will clearly determine which GDP data set is used to determine eligibility. It is reasonable to expect that should a decision be taken on the Financial Perspective at the December European Council, Convergence funding receipts for the period 2007-13 would be allocated on the basis of the GDP data set available at that particular time, i.e., data for the period 2000-02. This would imply full Convergence funding for West Wales and the Valleys.

- The UK plans to publish the relevant 2003 GDP data set in December and to send this data to Eurostat at the same time. Judging by what happened this year, Eurostat may be able to publish a new data set in January 2006. Again, it is reasonable to expect that should a decision on the Financial Perspective fall under the Austrian Presidency in the first half of 2006 the newly published GDP data sets (i.e., 2001-03) would determine eligibility for Structural Fund receipts.
- There has been some suggestion that a decision on the Financial Perspective could be taken under the Austrian Presidency but that Convergence funding could be made dependant on 2000-02 GDP data sets. While the Council has some discretionary power, it is unclear how such a mechanism would work should new data sets for 2001-03 be in the public domain. Not only would it contradict the spirit of the draft Article above but it would also produce an obvious and divisive arrangement of winners and losers in the Council.
- It should be noted that the draft General Regulation, on which the above assessment is based, is currently being negotiated in the Structural Actions Working Group. It cannot be adopted by the European Council until a decision has been taken on the EU Financial perspective.

Action point from EEAC meeting 22 September

SME Definition

- At the EEAC meeting on 22 September a query was raised as to whether the EC had any plans to change the current SME definition. This briefing note sets out the current position.
- A new definition of Small and Medium-sized Enterprises (SMEs) came into force on 1 January 2005 and applies to all policies, programmes, measures and regulations that the European Commission operates that relate to SMEs (including the State Aid rules). The general aim of the definition is to ensure that the treatment of enterprises within the European Community is based on a common set of rules across the Member States in order to improve the consistency and effectiveness of policies and provisions targeting SMEs and to limit the risk of distortion of competition. The definition also aims to ensure that only those enterprises which genuinely require support are targeted by or included in public schemes or provisions relating to SMEs.
- The new SME definition was adopted to take into account economic developments since 1996, when the previous definition was adopted, and reflects a growing awareness of the specific hurdles confronting SMEs. . As well as adjusting the financial thresholds that are used to determine whether an enterprise comes within the definition of an SME the new definition is more suited to the different categories of SMEs and takes better account of the various types of relationships between enterprises. The revision ensures that enterprises that are part of a larger grouping and could therefore benefit from a stronger economic backing than genuine SMEs do not benefit from SME support schemes or provisions such as the SME block exemption

regulations, which permit State aid to SME's in particular circumstances.

- The new SME definition will be applied, where appropriate, to all public funding to companies within Wales, but the changes to the former definition are unlikely to have a significant impact in practice.
- We are not aware of any plans to amend this latest definition at this point in time.

Definition of small and medium-sized enterprises SME thresholds

Enterprise category	Headcount (unchanged)	Turnover	<u>Or</u> Balance sheet total
Medium-sized	< 250	Not exceeding € 50 million (in 1996: 40 million)	Not exceeding € 43 million (in 1996: 27 million)
Small	< 50	Not exceeding € 10 million (in 1996: 7 million)	Not exceeding € 10 million (in 1996: 5 million)
Micro	< 10	Not exceeding € 2 million (previously not defined)	Not exceeding € 2 million (previously not defined)

An enterprise is considered to be any entity engaged in economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

Independent enterprises are those which are not owned as to 25% or more of the capital or voting rights by one enterprise, or jointly by several enterprises, falling outside the definition of an SME.

An enterprise cannot be considered an SME if 25% or more of the capital or voting rights are directly or indirectly controlled, jointly or individually by one or more public bodies. However, there are a number of exceptions e.g. public investment corporations, venture capital companies, business angels, universities or non-profit research centres etc.

Compliance with this definition is compulsory when it comes to State Aid allowing SMEs to benefit from preferential treatment over other enterprises, when such treatment is authorised by Community regulations.

¹Balance sheet total = fixed assets + current assets

UK Presidency of the EU 2005 – Events in Wales

06 - 08 July: European Cultural & Tourism Network (ECTN). Met at the Millennium Centre Cardiff for its second annual conference. ECTN brings together the tourism and cultural industry professionals working in different regions of Europe to exchange experience and information on best practice. The First Minister gave the closing address at the Conference.

11 - 12 July: Informal Competitiveness Council. Held in Cardiff City Hall. A meeting of EU research Ministers took place on day 1, with EU Industry and economic Ministers meeting on Day 2. The First Minister hosted a reception in the National Museum of Wales followed by a private dinner for the EU Ministers and European Commissioners, which the Minister for Economic Development and Transport, Andrew Davies, also attended. Mr Davies attended the Council on Day 1.

01 - 02 September: Informal EU Foreign Ministers "Gymnich" Meeting. Held in the Celtic Manor. This involved all the current Foreign Ministers of the EU plus those of the accession countries and two Commissioners. The First Minister co-hosted a lunch reception for the Ministers and Commissioners with the Foreign Secretary. The First Minister hosted a reception on the Thursday night to which all the 400+ journalists covering the event were invited.

03 - 05 October: EFQM conference in Cardiff. This is an annual international business management conference, which is being hosted by the Wales Quality Centre. The focus of the event is how European Business can remain competitive in the face of the challenge from Asia. The First Minister is speaking at the Gala dinner on 04 October and will be awarding the European Quality Award to the winning company. The Minister for Economic Development and Transport, Andrew Davies, will be presenting an award to the winners of the Wales Quality Award.

24 - 27 October: "Promoting the Participation of Young People in Civic Life". This Youth Conference will be held in Cardiff City Hall. It will bring together young people, youth workers and policy makers from all over the European Union of 25 to discuss key issues on the European youth agenda such as participation, information and volunteering. (see note below)

27 - 28 October: Meeting of Directors-General for Youth. Forming part of the above Youth Event, the Directors General for Youth will be meeting at Cardiff University. The meeting will focus on the response and follow up to the Youth Conference and the implementation of the European Youth Pact.

23 - 24 November: "Moving to higher employment: challenges and solutions". This event will be held in Cardiff City Hall. The key theme of the event is to help people with work-limiting health conditions to move into sustainable employment. Intended to draw on Want2Work (joint initiative with Jobcentre Plus) and Health Challenge Wales. The First Minister is giving the welcoming speech at the Gala dinner on the evening of the first day (to be held in the National Museum) and the Minister for Education and

Lifelong Learning, Jane Davidson, is opening proceedings on day 2. The event is being organised by the Department of Work and Pensions.

29 - 30 November: Mobilising Experience – Transferring Good practice in Education, Training and Youth or the 'Valorisation' event . This will be held in the Hilton Hotel, Cardiff. The main aim of the event is to identify ways to share, transfer and mainstream results notably from the EU education, training and youth programmes. The event will raise awareness of the need to demonstrate this approach in the new lifelong learning and youth programmes 2007-13. It is open to policy makers, relevant organisations and national agencies by invitation only. The Welsh Assembly Government is hosting this event.

30 November - 02 December: IMPEL Plenary. Organised by DEFRA this will be held in the Holland House Hotel, Cardiff. IMPEL is the European Union Network for the Implementation of and Enforcement of Environmental Law. The Minister for Environment, Planning and Countryside, Carwyn Jones, is giving the keynote speech at the opening dinner on 01 December at the Banqueting Hall, Cardiff Castle.

15 - 16 December: High Level Health Committee Meeting. This is an informal non-Ministerial meeting being held at the Celtic Manor. Officials represent Member States. This is the Commission's own meeting, with the agenda being determined largely by the UK Government and the Commission. The Minister for Health & Social Services, Dr Brian Gibbons, will host the formal evening dinner on 15 December at the National Museum.

UK Presidency of the EU 2005

Cardiff Youth Event

- On behalf of the UK Presidency, the Welsh Assembly Government is hosting the Youth Event at Cardiff City Hall over 24-27 October 2005. The event will coincide, and link up with, a meeting of Director Generals (Youth) on 27-28 October 2005. Whilst the venue will be held at City Hall, there are event scheduled to take place at the Coal Exchange in Cardiff Bay, as well as the National Museum and Gallery in Cardiff.
- Youth Events are held in each Presidency and aim to give young people a voice in European policy-making. The Cardiff Youth Event will encourage the exchange of information, experience and good practice in promoting the participation of young people in civic life – a priority theme within the process of European co-operation on youth policy, known as the open method of co-ordination (OMC). The European Commission largely drives the theme, however there is scope for the Presidency to tailor the discussions to reflect local practice in the UK and other member states. We will be using this opportunity to focus on participation in Wales wherever possible.
- The focus will be the participation of young people in civic life – the life of their communities,

the local, the regional and the grassroots – effectively grounding what is a high level process in the concrete reality of youth participation at local and/or regional level. If the common objectives are to be achieved, local and regional level actors must be fully engaged. It also sits within the overarching "Achieving the Lisbon goals" theme of the UK Presidency as the event will highlight: how young people's participation in local life contributes to their acquisition of skills and competencies, relevant to the work place, and can help combat social exclusion.

- The total expected cost of the event is £200,000. This will be shared between the EU Commission, DfES and the Assembly Government. A funding application for consideration by the EU Commission (who will fund up to 80 per cent of the total cost up to a maximum of €250,000 has recently been submitted. We have also submitted a business case to DfES in order to lever in at least £50,000 of their £1 million budget for education and training presidency events. We have had the extra money from DfES confirmed, however, the EU bid however will need to go through various verification stages. The Assembly Government contribution of approximately £22,000 can be met from the 'International Education Initiatives BEL' from within the 'ELL MEG' in 2005-06. To enable us to proceed with the arrangements, it has been agreed with Financial Planning that the Assembly will underwrite the total cost of the event pending receipt of contributions from the EU Commission and DfES.
- The 'selection' of young people who attend these events is largely out of our control since the criteria is determined by the European Commission, which is also the principal funder. Each member state is allocated space for two young people – one from a recognised national youth organisation and one from local community level. This does not fit with the internal political geography of some member states and can and does cause difficulties. For example, the UK's structure adds up to 4 representatives. An added factor is that the 'core' of the youth event is always made up of representatives from the European Youth Forum (EYF). As the internal constitution of the EYF follows the constitution of the EU - 25 member states - it cannot reflect the actual political geography of many member states. The EYF also tends to attract young people who are very active in European political circles and have an eye to a future job in that area.
- After holding negotiation with the EU Commission an additional 20 delegates from the UK (8 from Wales; and 4 from each of the other home countries). Notably, the Commission has also agreed to fund these places. We are now working on ensuring that these young people come from a diverse range of backgrounds.
- We are in close contact with the Communications Directorate, who in turn in discussion with the DfES publicity team regarding the publicity arrangements for the event.